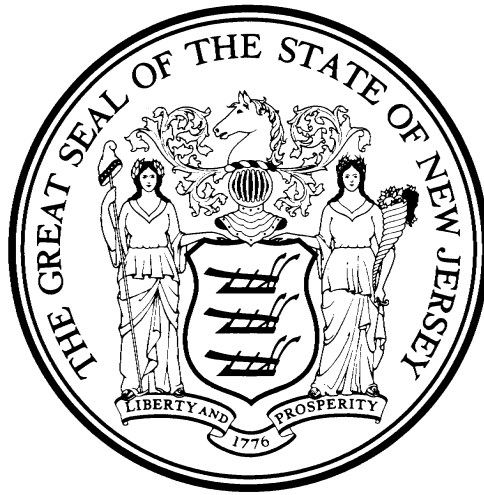


STATE OF NEW JERSEY

BUDGET



FISCAL YEAR 2005 – 2006

RICHARD J. CODEY, Acting Governor

**John E. McCormac, CPA
State Treasurer**

**Charlene M. Holzbaur
Director**

**Robert L. Peden
Deputy Director**

**Gary J. Brune
Associate Director**

**Jacki L. Stevens
Assistant Director**

Office of Management and Budget

March 1, 2005



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

State of New Jersey

For the Fiscal Year Beginning

July 1, 2004

President

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the State of New Jersey, for its annual budget for the fiscal year beginning July 1, 2004.

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

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

TABLE OF CONTENTS

	Page
Governor's Message	i
Organization of New Jersey State Government	
Readers Guide	A-1
Summaries of Appropriations:	
The Budget in Brief	B-1
Major Highlights	B-3
Resources and Recommendations for Fiscal Year 2006,	
All State Funds	B-40
Summary of Fiscal Year 2005-2006 Recommendations	B-41
Summary of Fiscal Year 2005-2006 Recommendations—By Fund.	B-41
Summary of Appropriations, by Organization	B-42
Summary of Appropriations, by Category or Purpose	B-46
Summary of Appropriations, by Statewide Program	B-48
Summary of Appropriations, Dedicated Funds by Program	B-56
Appropriations Major Increases and Decreases	B-59
State Aid for Local School Districts—Consolidated Summary	B-74
Summaries of Revenues, Expenditures and Fund Balances:	
Combined Summary, Estimated Revenues, Expenditures and Fund Balances	C-1
Summary, Estimated Revenues, Expenditures and Fund Balances,	C-2
Revenue Projections	C-3
Statement of Estimated Revenues and Expenditures	C-8
Schedule I State Revenues	C-9
Schedule II Other Revenues	C-16
Schedule III Expenditures Budgeted	C-31
Schedule IV Expenditures Not Budgeted	C-33
Summary, Estimated Revenues, Expenditures and Fund Balances,	C-34
Budget Recommendations	
Department and Branch Recommendations:	
Legislature	D-1
Chief Executive	D-9
Agriculture	D-13
Banking and Insurance	D-23
Community Affairs	D-31
Corrections	D-53
Education	D-73
Environmental Protection	D-103
Health and Senior Services	D-133
Human Services	D-165
Labor and Workforce Development	D-241
Law and Public Safety	D-257
Military and Veterans' Affairs	D-293
Personnel	D-307
State	D-313
Transportation	D-371
Treasury	D-389
Miscellaneous Commissions	D-437
Interdepartmental Accounts	D-441
The Judiciary	D-459
Capital Construction & Debt Service	E-1
Language Provisions-Federal Funds	F-1
Language Provisions-General Fund	F-2
Revolving Funds	G-1

Appendices:

Summary of Special Revenues, Capital Projects, Proprietary, and Private Purpose Trust Funds Appendix 1	H-1
Special Revenue Funds, Appendix 1A	H-2
Capital Project Funds, Appendix 1B	H-38
Private Purpose Trust Funds, Appendix 1C	H-42
Proprietary Funds, Appendix 1D	H-43
Description of Funds	H-44
State Lottery Fund Schedule	H-61
Casino Revenue Fund Schedule and Projection	H-62
911 System and Emergency Response Fee	H-65
Transportation Trust Fund Schedule	H-66
Statement of General Long-Term Debt	H-67
CAP Law	H-68
Population & Personal Income Demographics	H-70
State & Non-State Workforce Summary	H-71
FY 2005 Supplementals	H-74
Index	I-1

GOVERNOR'S MESSAGE



**RICHARD J. CODEY
ACTING GOVERNOR OF NEW JERSEY
TRANSMITTED TO THE SECOND ANNUAL SESSION
OF THE TWO HUNDRED AND ELEVENTH LEGISLATURE**

Mr. Speaker, Majority Leaders Kenny and Roberts, Senate President Pro Tem Turner, Minority Leaders Lance and DeCroce, Reverend clergy, Governors Byrne, Florio, and Bennett, distinguished guests, fellow New Jerseyans.....

Thank you for the cooperation and commitment you have shown me in the past three months.

Together, we have made progress to increase the minimum wage, we have raised awareness of the daily struggles of individuals with mental illness, we have brought new companies to New Jersey and convinced old friends to stay and to expand.

We are working together to create a Lieutenant Governor and an Inspector General and we passed one of the toughest pay-to-play bans anywhere in America.

We have put aside partisan differences to work together and the results speak for themselves. As we begin this debate, now more than ever, New Jersey needs us to work together, not as Democrats and Republicans, but as New Jerseyans.

In this budget address, there's good news and there's bad news.

The good news is, we're not bankrupt.

The bad news is, we're close.

I have been a member of this Legislature for thirty years.

I have witnessed more budget debates than anyone should in a lifetime. Budgets that were done in the best of times and budgets that were done in the worst of times.

But whether the Treasury was full or empty, too many budgets were driven by one concern, the politics of survival.

There was always a Gubernatorial election or a Legislative election or some other reason that prevented an honest discussion of the State's fiscal problems.

Year after year, the State always managed to find one more gimmick, one more back door pass to get us through the day. As a coach, I know sometimes the back door pass works and sometimes it comes back to haunt you.

Finally.....the bill has come due.

Today, the ghost of Christmas past has arrived at the Statehouse door.

The result of decades of passing the buck is a budget that cannot stand under its own weight, not today and definitely not tomorrow.

Unless the State owns up to the structural deficit in the budget, we will continually face a huge shortfall.

Our credit rating will continue to worsen.

Every year the State will be the dog that chases its own tail engaging in a futile attempt to close a perpetual budget gap.

Meanwhile investments in health care and education will be postponed because the State's resources are consumed in a spiral of increasing entitlements.

The budget nightmare isn't about Republicans or Democrats, it's about New Jersey.

It isn't about political campaigns or heated rhetoric.

It's about our collective responsibility to the people that elect us.

We can't afford to squander the next four months debating who caused this problem.

Each party has accused the other of recklessness and irresponsibility, of wasting taxpayer money and employing financial trickery and I have made some of those partisan accusations myself.

But the rhetoric has not solved the problem. And the political games have only made it worse.

Fiscal gimmicks and borrowing have been a bi-partisan budget addiction.

Both parties have borrowed recklessly and spent well beyond the State's means.

Both parties have placed political expediency over financial responsibility.

Both have enhanced retirement benefits without thought to future costs.

And both parties have been unwilling to address the skyrocketing cost of health care, whether it was for Medicaid, State workers, or retired teachers.

The time has come for elected officials to put aside our partisan knives and work together to fix the budget problem.

GOVERNOR'S MESSAGE

As budget solutions leaked out, people would come up to me and say Governor, I wouldn't want to trade places with you!

At the coffee shop or the basketball court, people said "the Governors before you created this mess, and you just inherited it."

But the truth is we, and I include myself, have all been guilty of saying yes when we should have said no.

And frankly it doesn't matter whether I inherited this mess, created this mess, or had nothing to do with this mess.

I said I wouldn't run from the responsibilities of this job, and I won't.

At some point, someone has to stand up and tell the truth. Today, I am going to call it like it is, the only way I know how, honestly and directly.

Our State is facing a fiscal crisis. It is a crisis that has been building for the better part of the last twenty years.

It can't be solved in one year or even in the next few years.

But it can no longer be avoided.

We are no different than the families we represent. We have living expenses and annual income. We have long term obligations that come with monthly payments.

We make choices about our priorities and their costs. We are not the first family to live beyond our means and we won't be the last to have a day of reckoning.

During the late 1990's, the stock market was reaching all time highs. The State Treasury was flush with record levels of income from Wall Street bonuses and stock market capital gains.

The government made a decision to increase spending to match the record levels of revenue pouring into the Treasury.

To enjoy immediate political benefits, new long-term obligations were freely given away.

Then the stock market fell and our economy suffered under the impact of the September 11th attacks.

Revenue crashed. In 2002, revenue was off by \$3 billion dollars.

But even though revenue dropped the State was committed to spending levels that could only be supported in the best of economic times.

While we waited for the economy to recover, we tried to replace the revenue.

We brought fairness to the corporate business tax, and we cashed in the tobacco settlement.

When the tobacco money was gone, we borrowed against future cigarette taxes and fines.

And that brings us to today.

We confront a budget that is the direct result of years of spending levels that couldn't and cannot be sustained.

There is no more tobacco money, it all went up in smoke.

There is no more borrowing the Supreme Court put an end to that.

Today we are left with painful choices that no one wants to make.

My good friend, the minority leader from Hunterdon County, said last year we passed a credit card budget.

In many ways he was right, but it wasn't the whole picture.

The State is no different than the family that enjoys a great financial year and then proceeds to buy that big house, a new boat, and adopts an expensive lifestyle.

But when that great year ends, the mortgage payment is still due on the first of the month, but the money to pay the bills is gone.

The family is reluctant to trade in their new way of life.

Maybe they hope that the good times will return.

Maybe they hope they'll win the lottery — we all do!

Month by month, they find a way to keep the charade alive.

First the credit cards are used, then a home equity loan, eventually, the plastic is maxed out and the banks will not extend any credit.

That is where New Jersey is today.

The Supreme Court cut up the credit cards, but we still have to pay the bills.

It's a sobering task.

At least the family keeps the majority of what they earn.

75 cents of every dollar the State collects, is handed over to someone else.

Every year more than 20 billion dollars is given to towns and school districts, hospitals, and universities.

Now, it's awfully hard to cut your expenses when you give away the majority of your revenue.

In the past weeks, I have met with legislators from both parties. I have laid out the problem in stark and honest terms. I have asked for their help and their ideas, I hope in the months ahead, I will receive both.

Today, I want to talk to the people of this great State.

I want them to understand exactly what the State is facing.

No rhetoric, no blame, there's been enough of that, just facts and figures as best I can explain them.

In the last budget, New Jersey spent \$28.3 billion dollars.

But nearly \$3 billion dollars of that was one-time revenue, revenue we had last year but do not have this year.

Just to fund last year's budget, we need more than \$3 billion dollars in new revenue. And that's before we spend a dime on any new programs.

But just like a family or a business, the State has fixed costs that go up every year.

We aren't faced with funding just last year's budget, we must fund the annual increases in mandatory entitlement costs.

Some costs are health care, some are salary, some are retirement, and some are court-ordered but, none can be avoided.

Let me give you a sampling of some of the increases the State faces this year.

\$160 million dollars more in salary increases for State workers and college employees.

\$300 million dollars in additional Medicaid costs, most of it federal mandates, bringing the total Medicaid budget to more than \$3 billion dollars.

\$90 million dollars more in increased health care costs to support the free medical benefits for retired teachers and school employees bringing the total cost of this program to nearly \$700 million dollars.

\$120 million dollars more in health care costs for current State and college employees, bringing the total cost of this program to over a billion dollars.

\$50 million dollars more in health care costs for retired State workers and college employees, bringing this program's total cost to \$320 million dollars.

\$100 million dollars more in increased school construction debt service costs, bringing New Jersey's total debt payments to nearly two billion dollars.

\$55 million dollars in additional court-ordered funding for the child welfare reform plan.

And these increases are not new.

These entitlements are the driving force behind the increase in State spending each and every year.

In the last four years the total cost of health benefits for current State employees has risen by 50 percent.

The total cost of health benefits for retired State and college employees has tripled.

The total cost of free health benefits for retired teachers and other school personnel has doubled.

The total cost of Medicaid has more than doubled and now consumes 10 percent of the budget.

And these items will continue to increase at double digit rates well into the future.

If we do not get a handle on these escalating costs we'll be having this same debate every year.

So today I am calling for a timeout to this madness of entitlement spending.

I will not sign any legislation that enhances retirement benefits or increases pension costs unless those benefits are paid for.

There has to be a better way, and I have asked one of my budget advisers, Phil Murphy, to lead a small working group to develop some ideas for us to consider.

Facing up to the impact of entitlements is one part of reforming the State's structural budget problem.

Controlling discretionary spending is another.

Last year's budget increased by 17 percent.

This year's budget will decrease by more than 2 percent.

That's right, this budget despite nearly a billion dollars in mandatory cost increases, is actually smaller than last year's budget.

We didn't keep spending increases to the cost of inflation or increase spending just a little.

We cut spending by more than a billion dollars.

This is the largest spending cut in the history of our State.

GOVERNOR'S MESSAGE

This budget more than meets the challenge to reign in government spending.

It is the most fiscally conservative budget in recent history.

For the first time in years, there is zero borrowing to cover operating costs.

The use of one time revenues is cut by 70 percent.

Spending on State government operations is virtually frozen. Out-of-state travel has been prohibited.

Funding for the office of the Governor, cut by 10 percent.

Funding for the office of each Cabinet member, cut by 10 percent.

Agencies have been directed to evaluate the effectiveness of every program. Those programs that cannot demonstrate proven results will be eliminated or consolidated.

The size of government will shrink and at least 500 jobs will be eliminated without resorting to layoffs.

An Inspector General has been hired to root out waste, fraud, and mis-management and ethics laws have been strengthened to increase accountability.

I have done all this because for too long government has spent too much and it is time to tighten our belts.

In order to eliminate the structural hole in the budget, I have reduced government.

I have strengthened oversight and accountability.

I have taken on the entitlement issue.

I have raised new revenues.

But regretfully, these actions alone cannot balance the budget.

In the midst of this budget mess, New Jersey cannot afford the full rebate program. The truth is we weren't able to afford expanded rebates, whether done by Democrats or by Republicans.

So I am proposing a suspension of the New Jersey Saver program for everyone except senior citizens.

It is simply impossible to maintain the full program, maintain the services our citizens need, and maintain the massive entitlement machine, all without significant new revenues.

It simply cannot be done.

I find this action as unappealing as you do but we are faced with a series of unpleasant choices.

Would you rather tax 401(k)'s? Increase the sales tax?

Increase the income tax? Destroy government services?

Or create some new illegal borrowing scheme.

The only free choices are the unrealistic sound bites offered by those who don't have the responsibility to govern.

Now, I recognize the political stakes involved in the budget

I wish the budget had collapsed in another year — not the year I just happen to be Governor.

But now is when it occurred and there is actually something greater at stake than just politics.

We have to face up to some tough choices about what we can afford and what we should fund, because we cannot do everything.

We pretended we could have it all and still never raise taxes, but that fairy tale has ended.

The sad truth is New Jersey can barely afford to maintain the services we provide. State government is no longer discussing the expansion of services we are debating how to hold on to the most critical.

We are in a battle every year to preserve health care and prescription drugs for the most vulnerable in our society.

We wrestle every year to keep the prisons open, State troopers patrolling, and student aid available.

We struggle to care for individuals with mental illness and developmental disabilities.

I wish I could be here discussing a major investment in higher education or an expansion of health care because those are investments New Jersey needs to make but I can't have those discussions not with this mess in front of us.

I said increasing the income or sales tax would be a last resort, and it must be.

The knee jerk answer can't be to simply raise taxes.

No one may want to admit this, but government has a cost, all those services our citizens need have a cost, and costs usually go up every year.

My Republican colleagues know this better than even the Democrats.

In 1992 when the Republican party needed revenue, they chose this same path I am proposing today, they basically eliminated the property tax rebate program for everyone but senior citizens.

They made a decision that eliminating rebates was a better choice than cutting government services for the most needy.

I am sure that their decision was as painful to them, as mine is to me.

Today marks the beginning of four months of what I am sure will be a lively debate.

Now, I have tried to outline the problem and shape the discussion. I don't pretend to have a monopoly on ideas — whether good ones or bad ones.

I welcome the ideas of others, not just from members of the Legislature, but from all who care about our State.

I have put forward a plan. I suspect the Legislature will make some changes.

And you have no idea how happy I am to welcome you to this debate.

I know this budget will be met with the typical political spin, but let me say this, if individuals on either side of the aisle want to criticize this budget, if people want to oppose the small revenue raisers or clamor for more cuts, then come forward with your specific ideas, not your generic criticisms.

If you want to do more spending, show me how you will pay for it.

If you want to talk about cuts, show me directly what you mean.

If you want to remove a revenue raiser, show me how you will replace it.

Don't sit in the aisles and say you oppose this idea or that idea.

Don't stand at some distant podium and say the State should just cut more spending.

Don't mistake appealing sound bites for actual choices or mis-lead the public with false choices about easy options that do not exist.

If you want to be a leader, the public deserves to hear your ideas and weigh them against what I have proposed.

Treat our citizens like responsible adults and give them the facts.

Will you cut school aid?

Will you cut municipal aid?

Will you cut higher education or aid to hospitals?

Will you lay off State workers?

Close prisons take away student loans?

Increase co-payments for PAAD and Senior Gold?

Or will you take away health care for the most vulnerable in our society like they did in Arkansas and Mississippi?

But if you are serious, I promise I will listen.

This budget is honest and it is lean, but it is not inhumane.

I have made painful cuts to reduce government spending but I am not going to balance the budget on the backs of the most vulnerable.

I am not going to make arbitrary cuts in worthwhile programs just to prove that it can be done.

Now is the time for leadership not showmanship.

The politics of business— as—usual have gotten us into this mess. The policy of responsible governance can get us out.

So, let's have an honest and open discussion about putting the State we love on a fresh path. A path of financial responsibility and spending restraint.

Today marks a new beginning for New Jersey.

It is our chance to put aside the politics of the past and forge a different course.

To the citizens of New Jersey, I make this pledge:

“The days of spending like there's no tomorrow end today.”

Organization of New Jersey State Government

This section of the budget displays the many Departments, Agencies, and Organizations that comprise New Jersey State Government. Included is a brief background statement on the history of New Jersey Government which is followed by individual displays of the fifteen Executive Branch Departments.



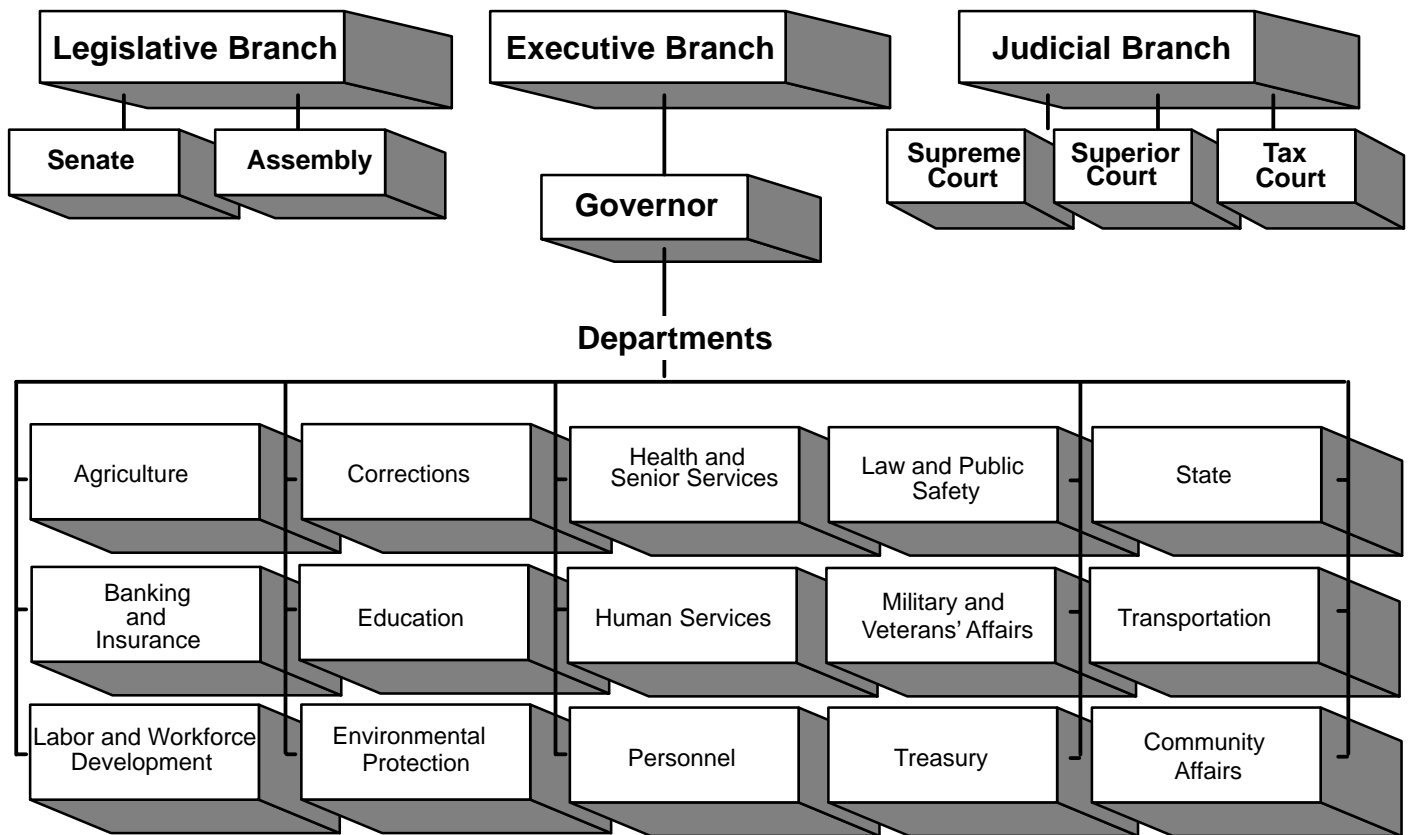
Background

The State of New Jersey was one of the original thirteen colonies, and was the third state to ratify the United States Constitution in 1787. New Jersey's governmental structure is similar to the federal model, with three separate branches of government – a Legislative Branch, a Judicial Branch and an Executive Branch. The original State Constitution was adopted on July 2, 1776 and was subsequently superseded in 1844 and 1947.

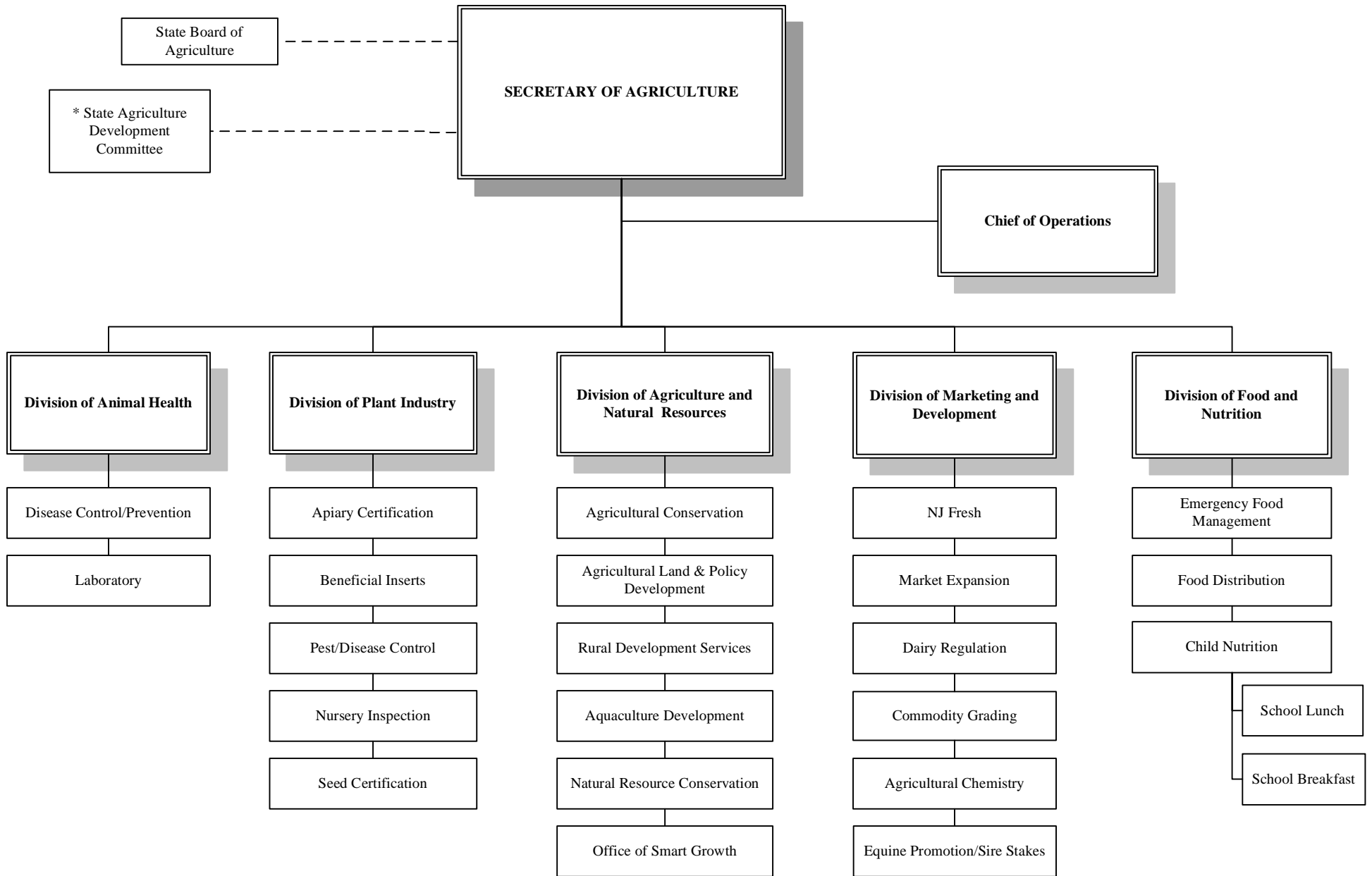
The Constitution of the State requires a balanced budget and restricts State long-term borrowing to one percent of total appropriations, unless higher amounts are specifically approved by voters at a general election. Short-term borrowing to cover cash flow needs, provided such borrowing is repaid within the same fiscal year, is not prohibited by the Constitution, and is authorized in the Annual Appropriations Act.

A State Government Organization chart is provided below:

ORGANIZATION OF NEW JERSEY STATE GOVERNMENT

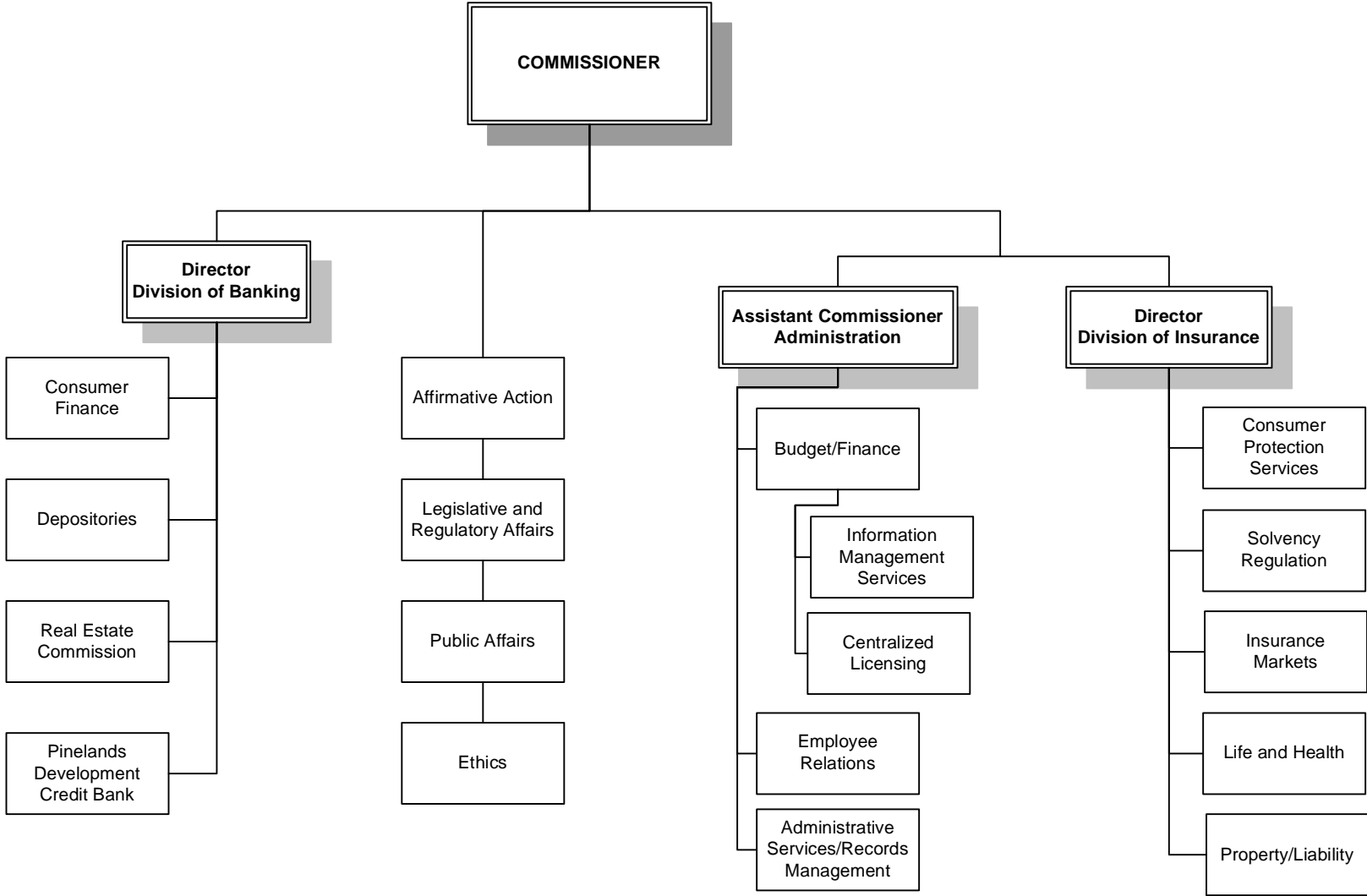


AGRICULTURE

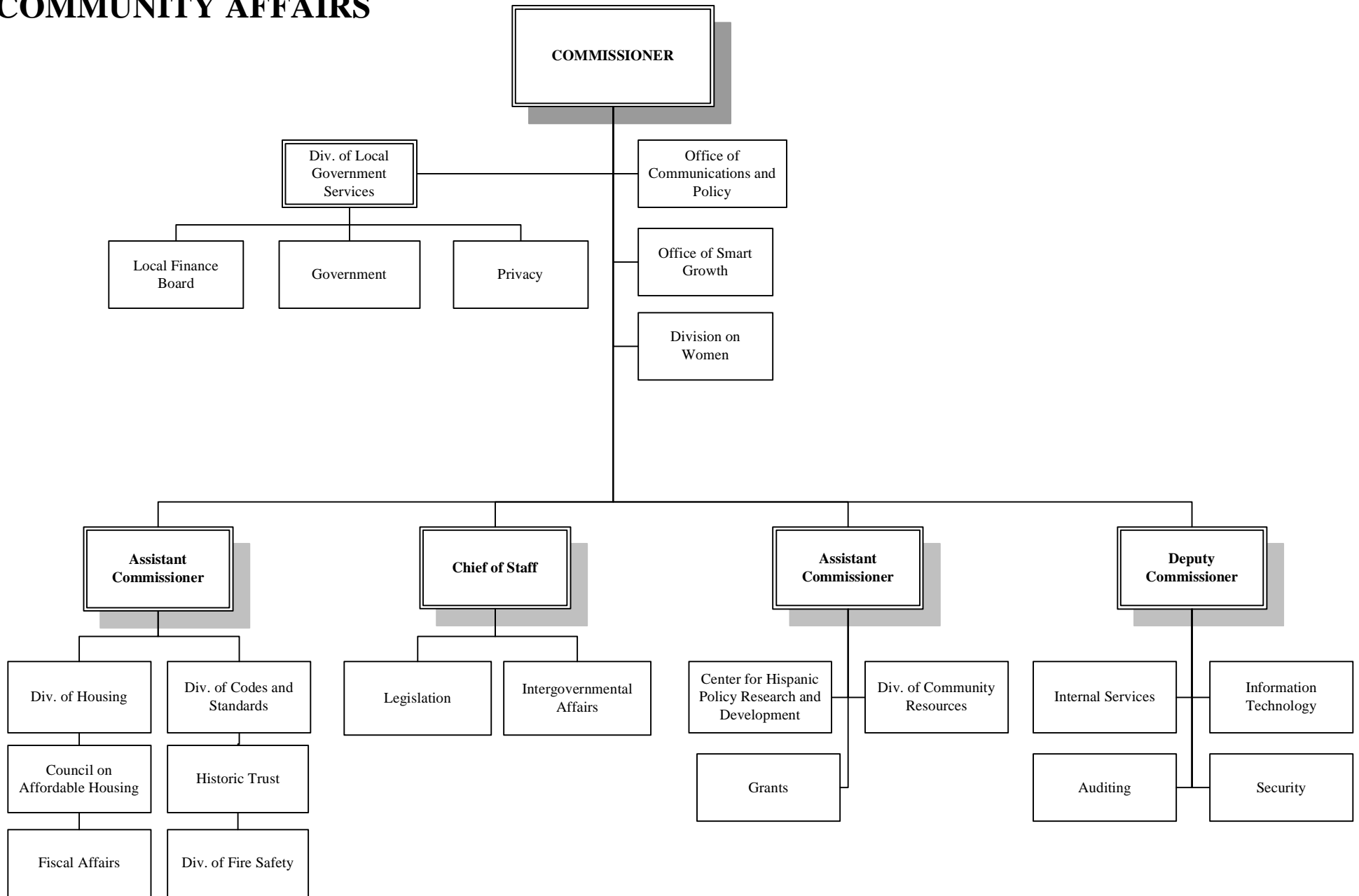


*** In but not of the Department of Agriculture**

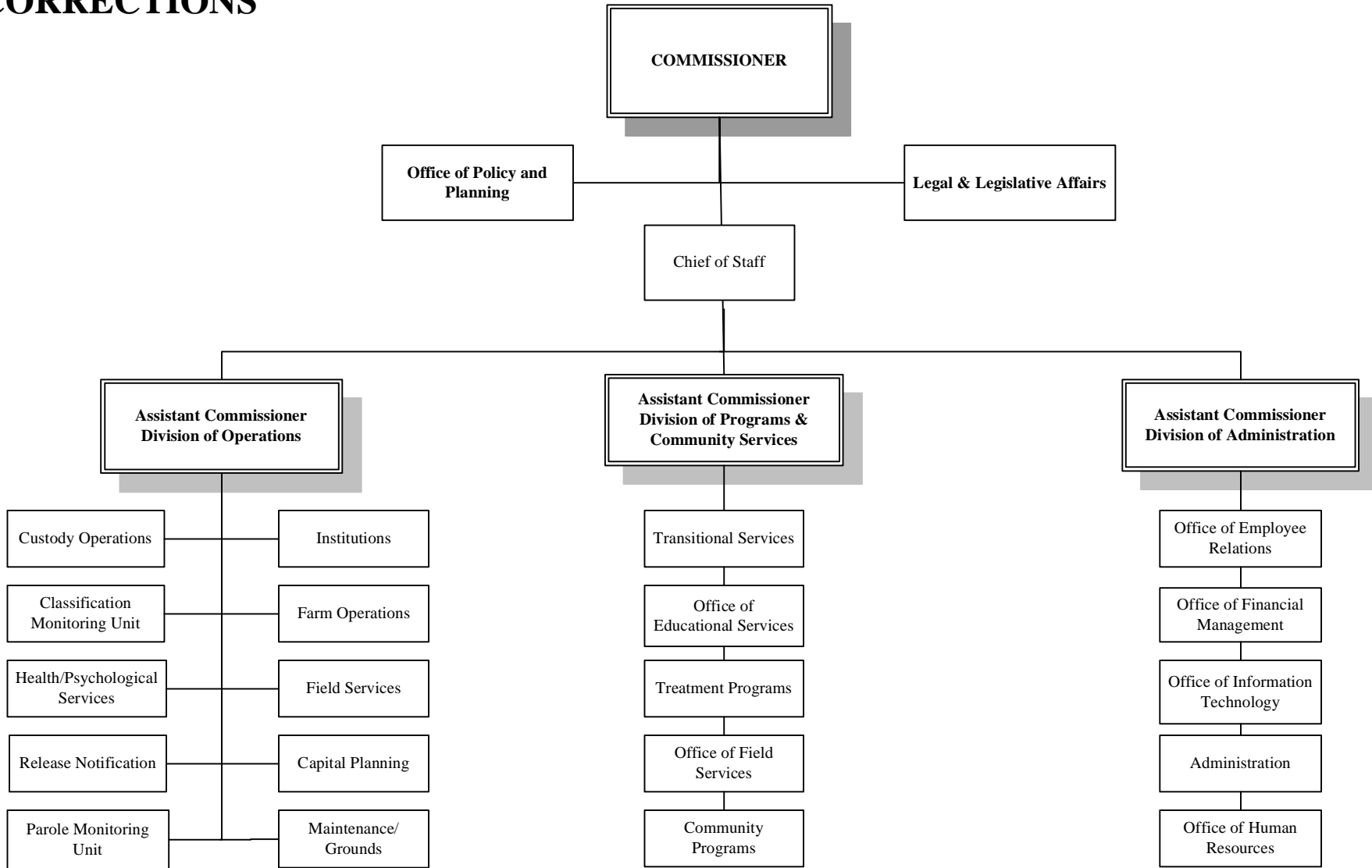
BANKING AND INSURANCE



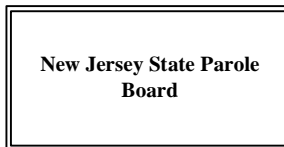
COMMUNITY AFFAIRS



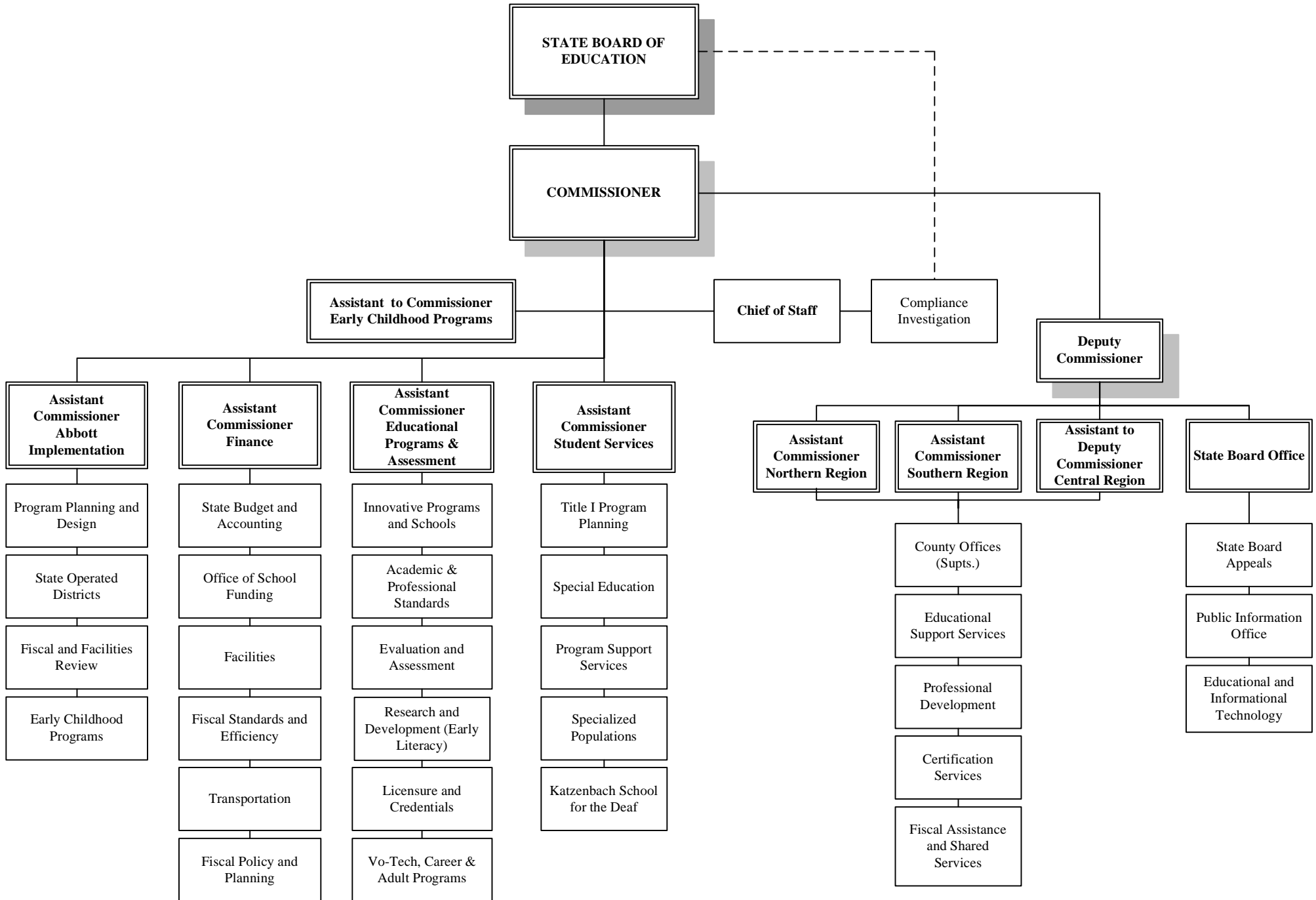
CORRECTIONS



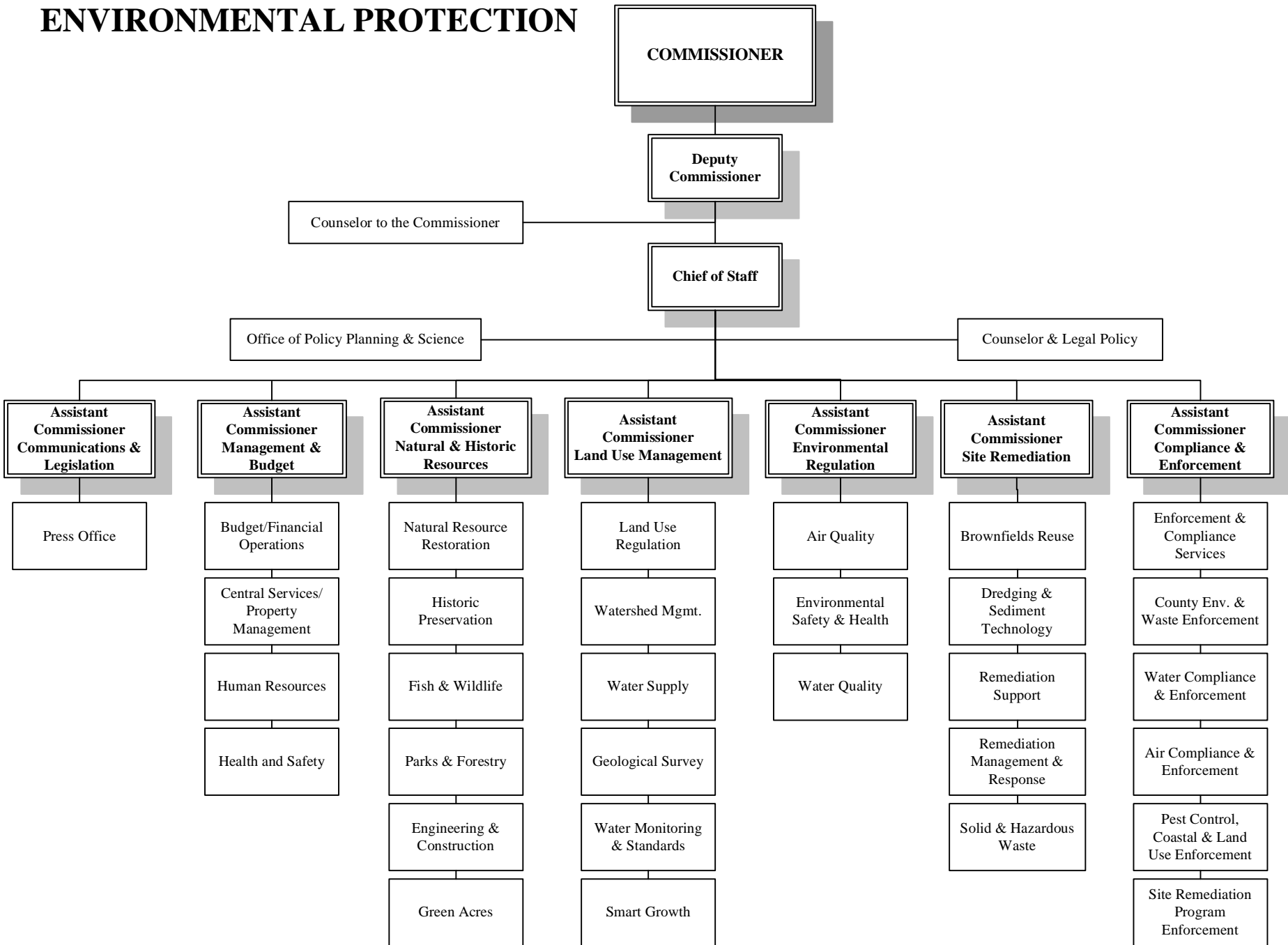
In-But-Not-Of Agencies



EDUCATION



ENVIRONMENTAL PROTECTION



In-But-Not-Of Agencies

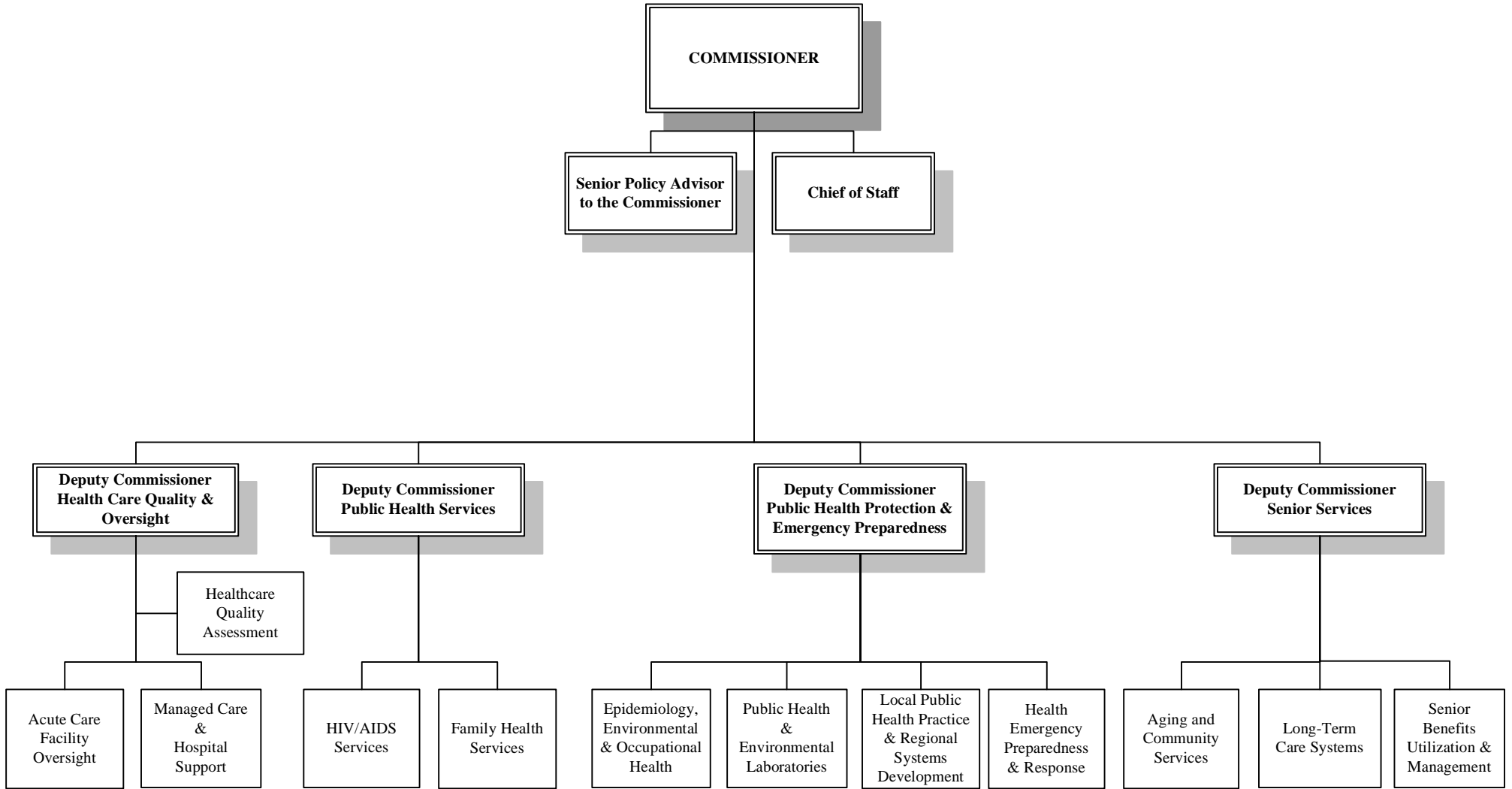
Palisades Interstate Park Commission

Highlands Council

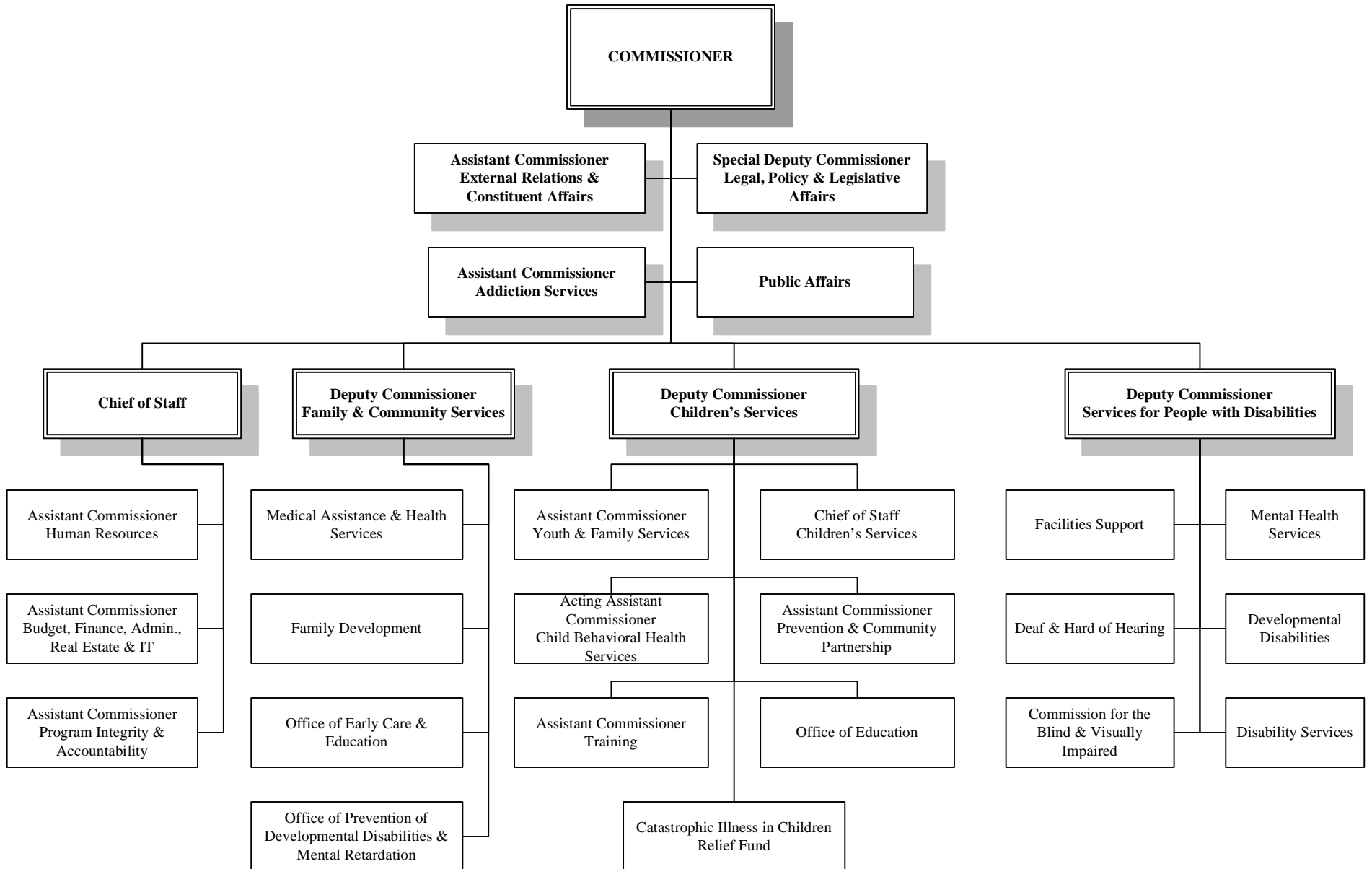
Pinelands Commission

Mosquito Control Commission

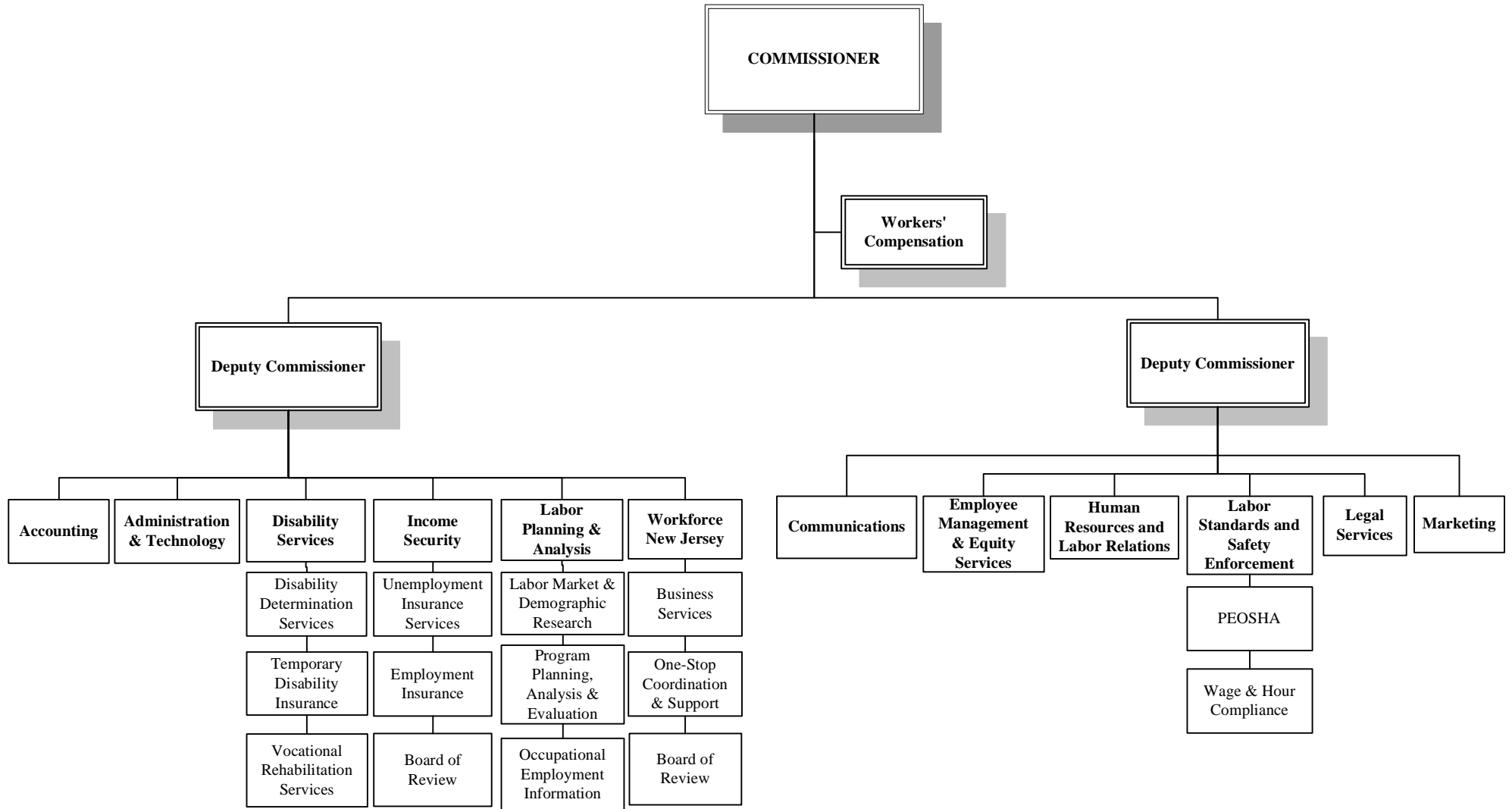
HEALTH AND SENIOR SERVICES



HUMAN SERVICES



LABOR AND WORKFORCE DEVELOPMENT



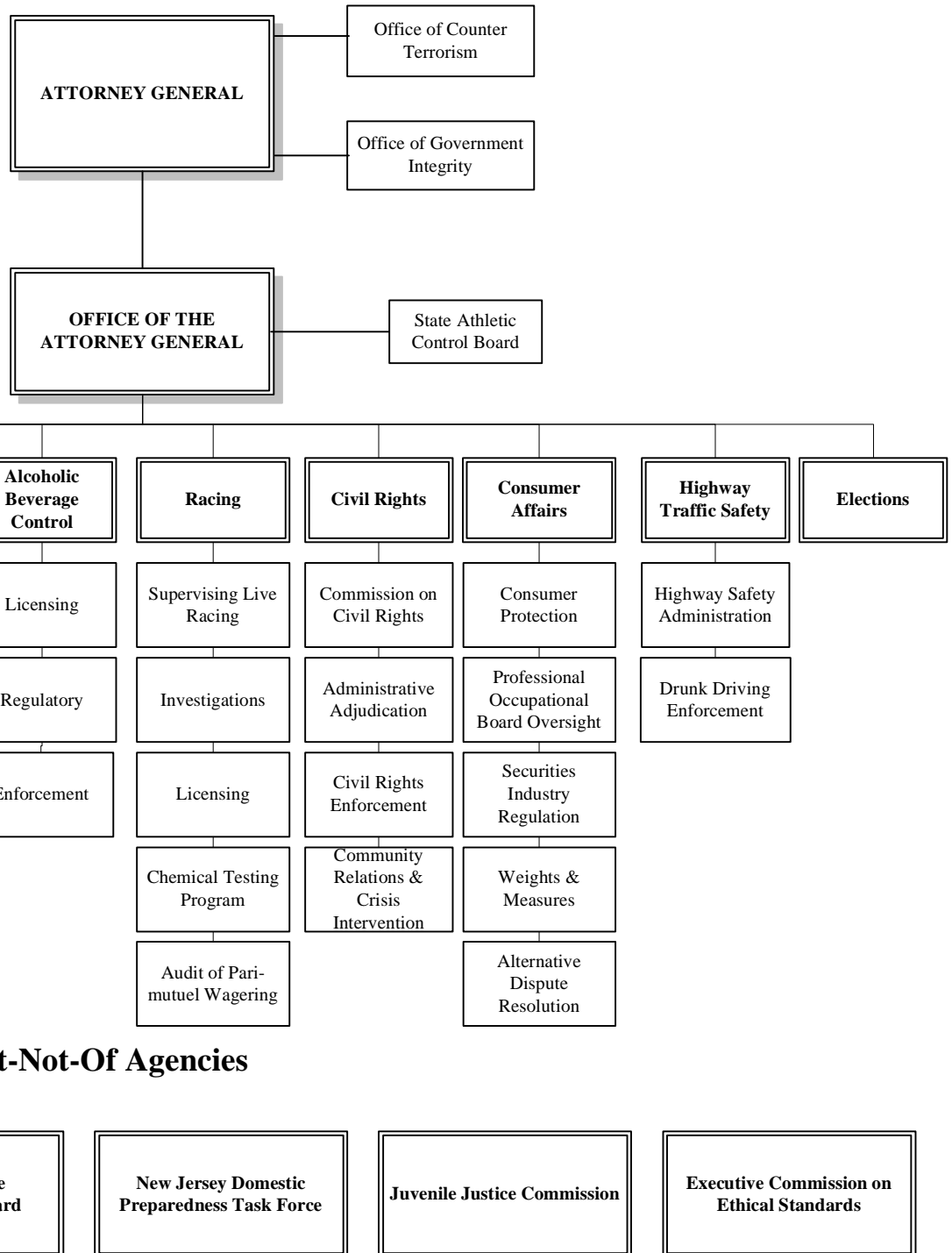
In-But-Not-Of Agencies

Board of Mediation

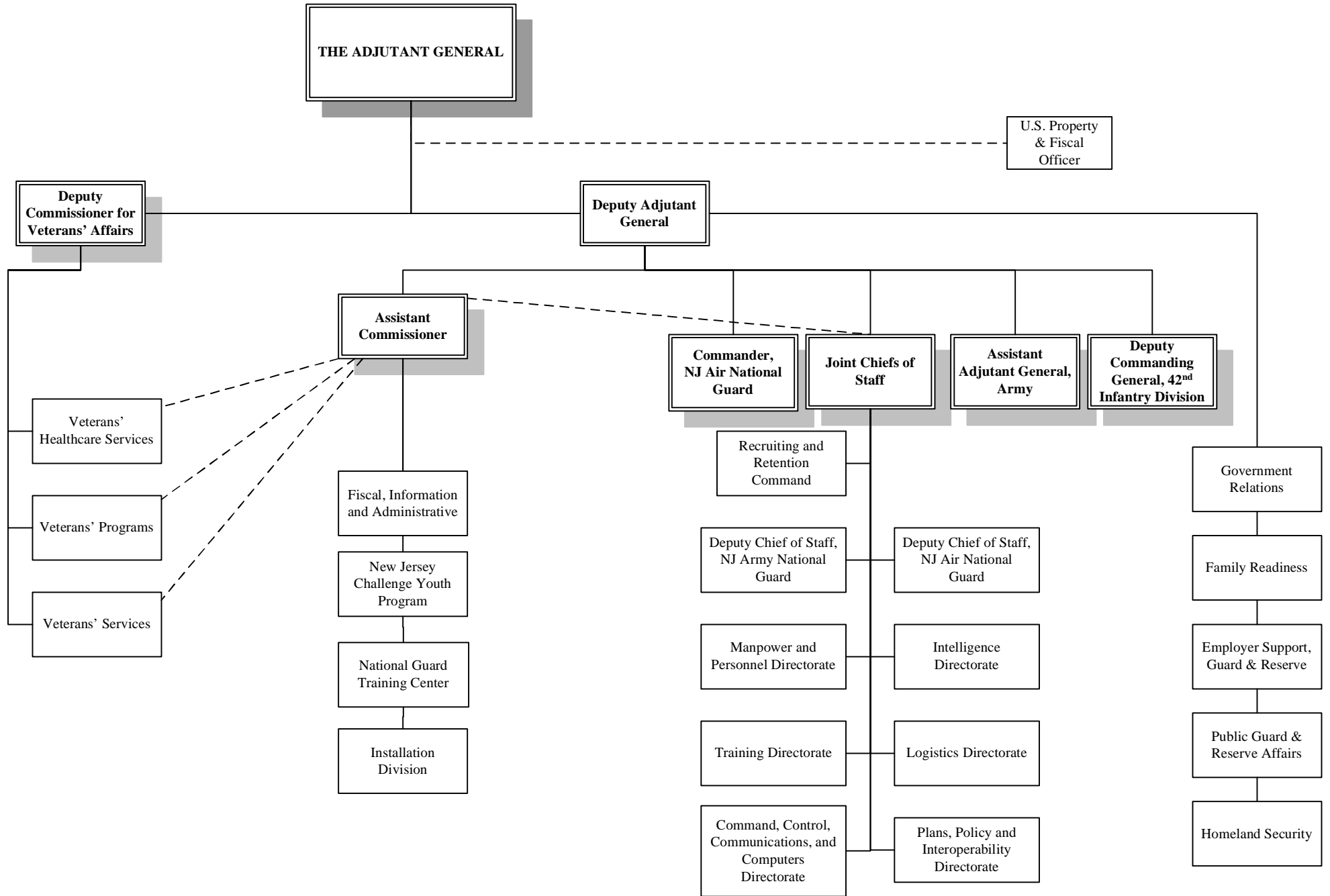
Public Employment Relations Commission

State Employment & Training Commission

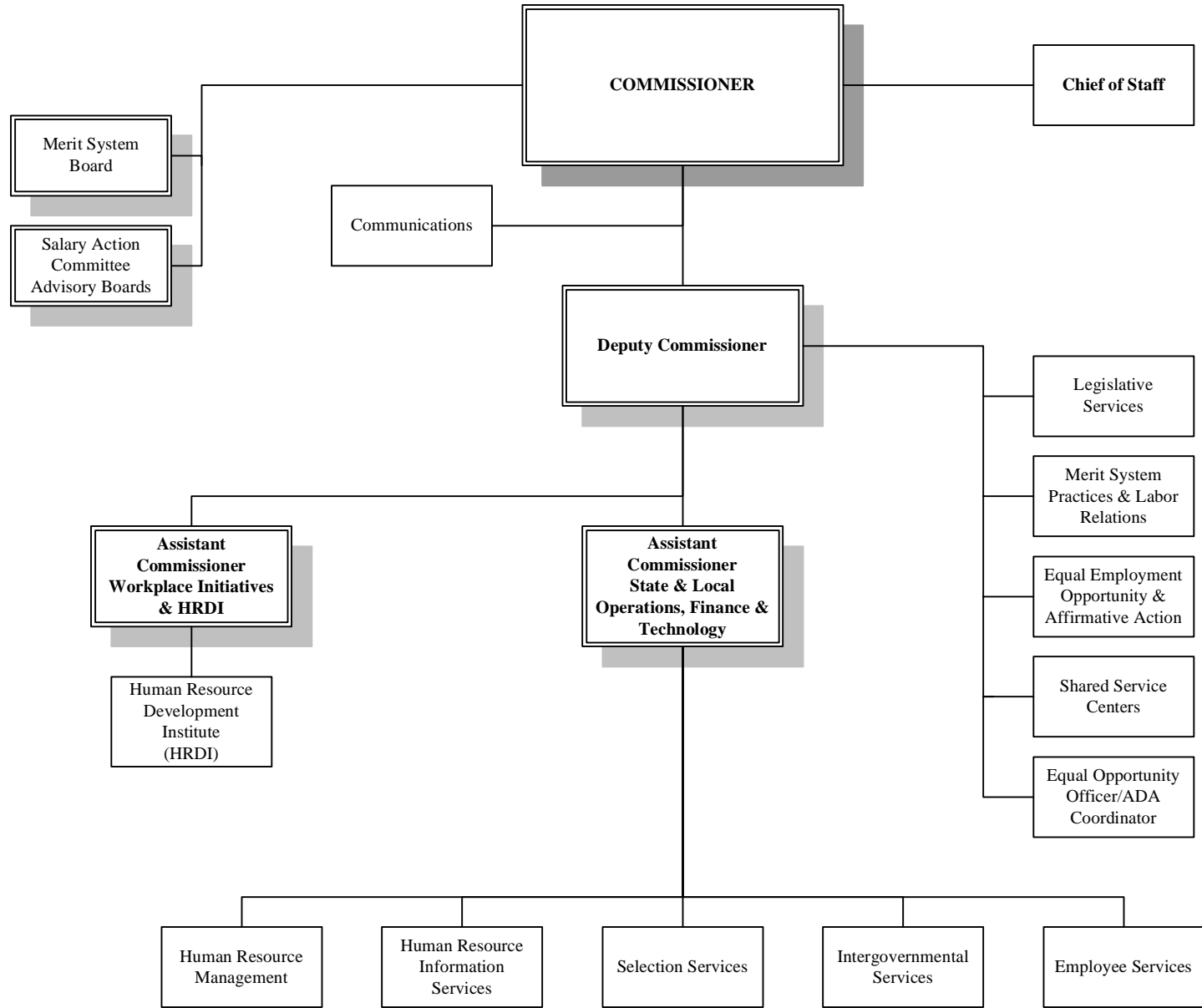
LAW & PUBLIC SAFETY



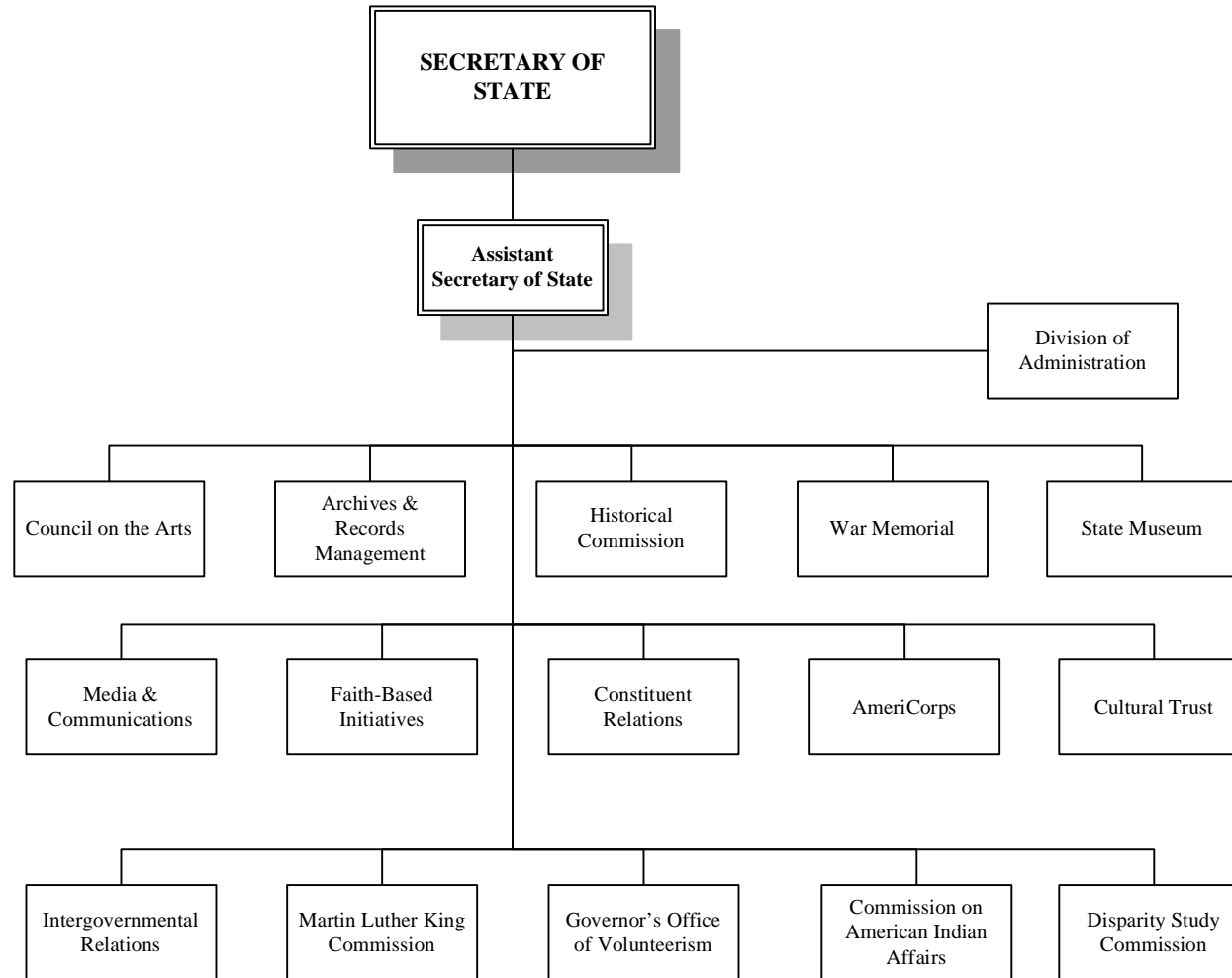
MILITARY AND VETERANS' AFFAIRS



PERSONNEL



STATE



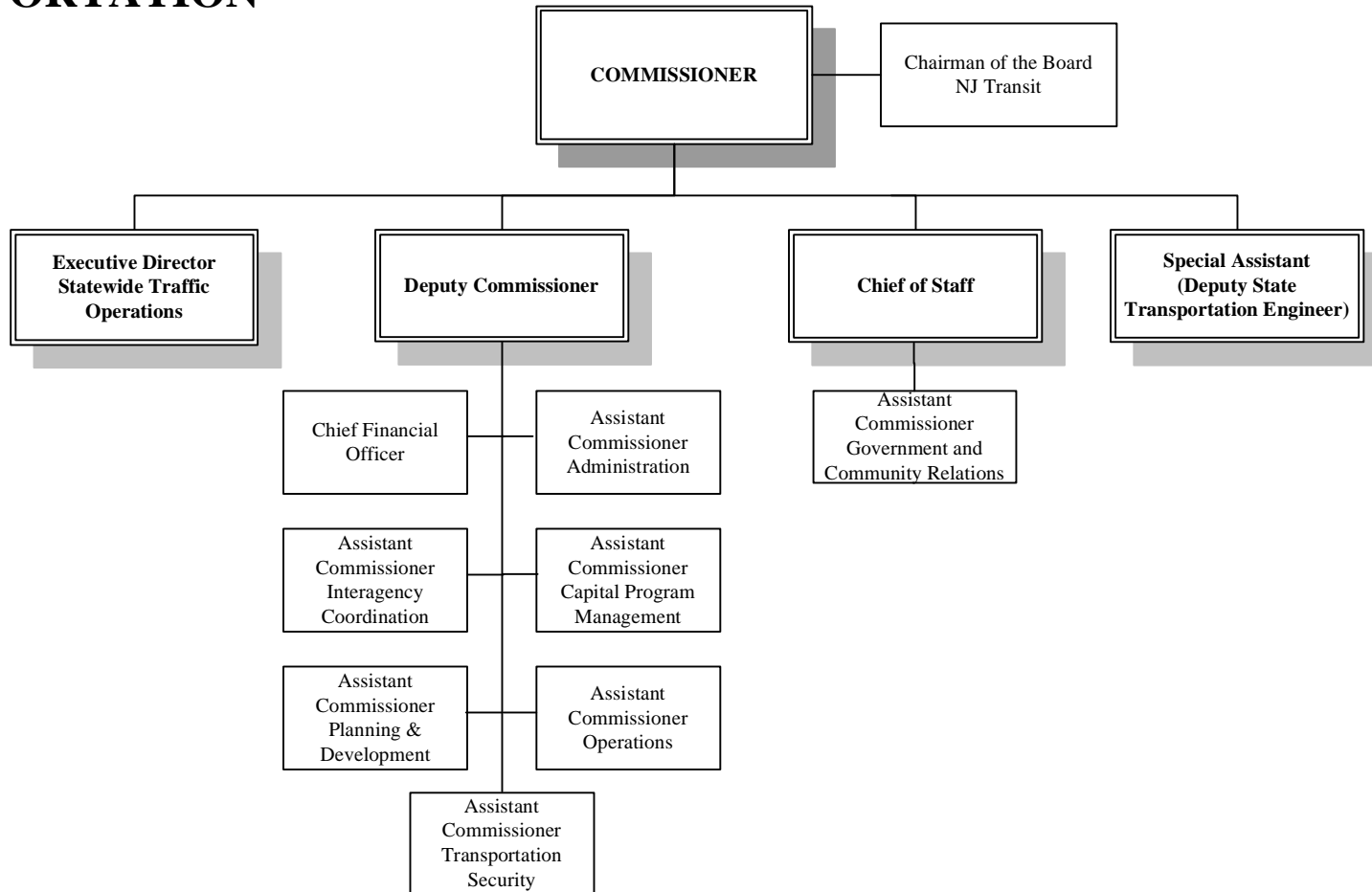
In-But-Not-Of Agencies

Commission on Higher Education

Higher Education Student Assistance Authority

Public Broadcasting Authority

TRANSPORTATION

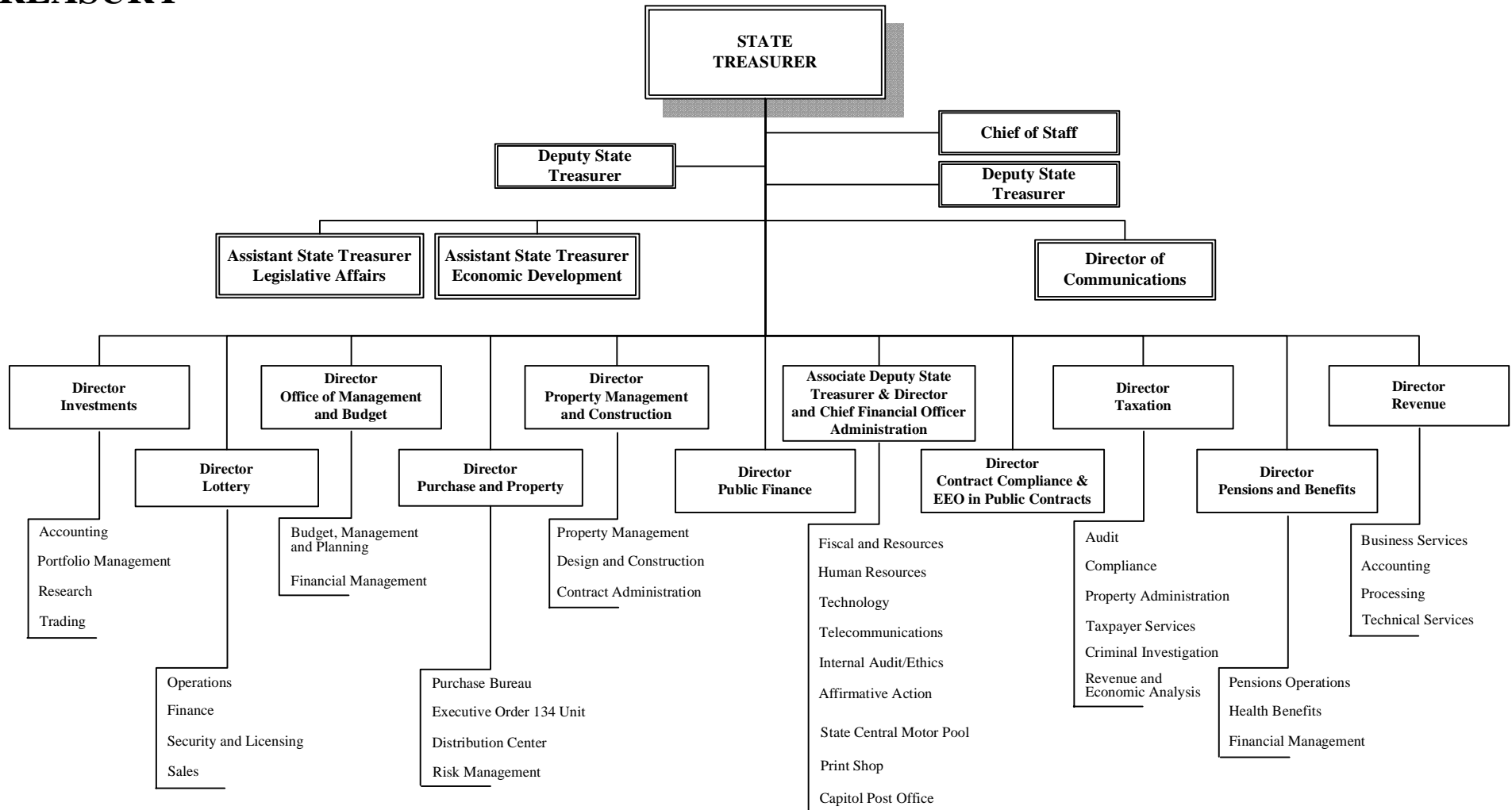


In-But-Not-Of Agencies

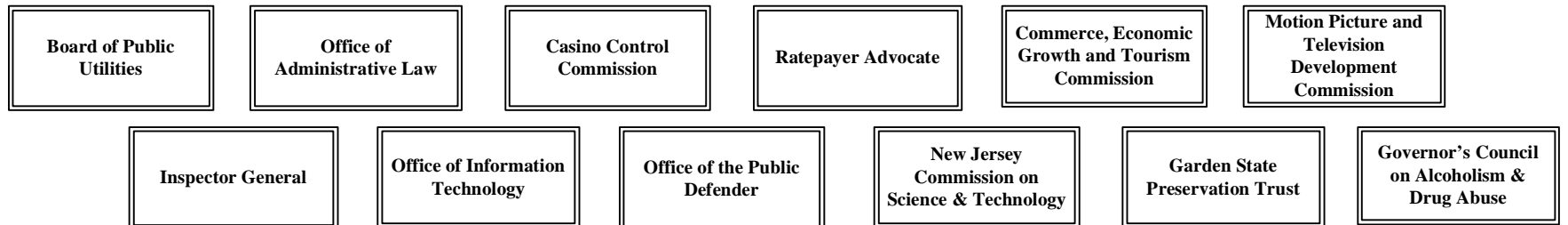
New Jersey Motor Vehicle Commission

NJ Transit Corporation

TREASURY



In-But-Not-Of Agencies



Reader's Guide

This section of the Budget is designed to assist readers with interpreting and understanding the content of the Governor's annual budget proposal. Included are brief descriptions of the major sections of the Governor's Budget, a guide to reading the financial tables included in the budget summaries, and a brief description of New Jersey's budget process.



WHAT'S NEW IN THE GOVERNOR'S BUDGET

The Fiscal 2006 Governor's Budget Message includes a few significant changes in format, content and design that are meant to improve its usefulness as a communications device and to ease the reader's ability to navigate the document. Specifically, the document includes the following changes:

Upgraded Index

Typically, readers who are interested in information on a particular program or organization turn to the index. Heretofore, the Budget index was limited to accounts totaling \$10 million or more, as well as major areas of spending such as departments, divisions, programs, and fund categories. In the Fiscal 2006 Budget, the index has been expanded to include entries for:

- All special revenue funds, trust funds, and capital project funds, including their analogous appropriations and budget language;
- All accounts valued at \$3 million or more (i.e., threshold reduced from previous \$10 million);
- Re-ordered index titles to place the most likely object of a reader's search at the front (e.g., "Pharmacy Services, Consulting");
- Programs mentioned in previous Budget-in-Briefs but not in the index, as well as common program terms that differ from the title of corresponding appropriations (e.g., Charity Care).

Organization Charts

A series of high-level organization charts has been added to the front this document and includes not only the major programs operated by the fifteen department but also the existence of "in-but-not-of" agencies that are housed within that organization for display purposes. These charts immediately precede this Reader's Guide.

Supplemental Appropriations

A summary chart of supplemental appropriations is newly added in the Fiscal 2006 Budget document, organized by department. Included is a brief explanation of why these supplemental funds are required. Though the Governor's Budget Message has traditionally reflected individual supplemental appropriations in a discrete way within the various accounts affected, this is the first time that they have been gathered into a summary display with a corresponding narrative. This summary chart can be found in the Appendix of this document.

Enhanced 911

Similar to the existing charts depicting the potential use of revenues from the Lottery or the Casino Revenue Fund, a new display has been added to the Appendix identifying the 911 Technology and Homeland Security programs that are eligible to be supported from the Enhanced 911 surcharge originally implemented in fiscal 2005. This summary chart can be found in the Appendix of this document.

Besides providing a context for key budget decisions, these changes are designed to quickly pinpoint desired information, clarify how major services are organized, and improve the transparency of the document.

THE STATE BUDGET PROCESS

The current budget process, the Integrated Planning and Budgeting Process, was first implemented for the production of the fiscal 1991 Budget, replacing other systems such as Zero-Based Budgeting (ZBB) and the Planning, Programming, and Budget System (PPBS). It uses several key features from previous budget processes, and is designed to result in planning-driven budgets. Implementation of the process usually begins during the month of April, some fifteen months prior to the year for which the budget will be effective. The State Budget cycle is set on a fiscal year basis, which extends from July 1 to June 30 of the following year.

To formally initiate the process, the Office of Management and Budget (OMB) provides salary projection reports and technical budget instructions to the departments in August. Among other things, this enables the agencies to determine how their base budget should be arranged, including any desired reallocations, in the coming budget year. Any recommended changes identified later with the budget process are then applied to this base.

The ensuing planning process includes reviews of the Governor's program priorities, economic forecasts, demands assumptions, and analyses of selective program areas. General guidance is provided to each State agency in September by OMB, including preliminary budget targets.

Agencies prepare planning documents which describe (1) their ability to provide current services within the budget target (including projections of mandatory growth), (2) the agencies' priorities for reduction of current services if requested, and (3) priority packages representing either expansion of current programs or new programs. The Office of Management and Budget (OMB) reviews the planning documents with the agencies from November through mid January, and preliminary recommendations are agreed upon.

During the months of January and February, the Director of OMB reviews budget recommendations with the State Treasurer, the Governor, and the Governor's staff. Normally, the Governor makes the final decisions in February.

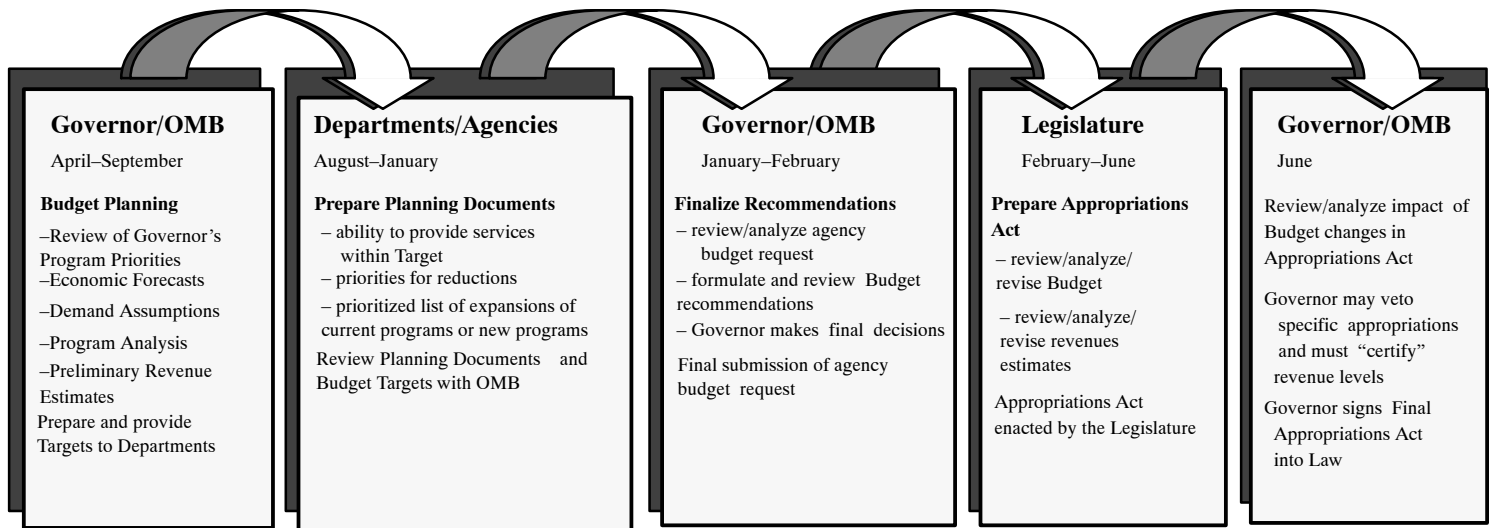
The planning portion of the process culminates in the final submission of the agency budget request to OMB in February, which is forwarded to the Legislature. The Budget Message, representing the Governor's recommendations on how revenues should be allocated, is delivered to the Legislature on or before February 24th of each year (unless superceded by legislation). From year to year, the Budget is the single most important policy statement that the Governor makes.

The annual review process for capital spending requests and recommendations, which runs somewhat parallel to the process described above, has several stages. All State departments requesting capital funding must submit a seven-year Capital Improvement Plan to the New Jersey Commission on Capital Budgeting and Planning. Each capital project request requires an operating impact statement. Departments must document whether a project will have an affect on operating budgets and must quantify such information. The Commission schedules public hearings for each agency, analyzes the capital requests, and recommends projects to the Governor. The Governor, in turn, selects projects to be recommended in the annual Budget.

The Legislature, through a series of hearings conducted by its Appropriations Committees, reviews the Budget and makes changes. The Legislature also reviews the revenue estimates included in the Governor's Budget and, based upon several additional months of actual revenue collections in the current fiscal year, makes adjustments to the Budget's revenue projections and surplus estimates.

The Budget, including changes made by the Legislative Committees, then must be approved by the Senate and the Assembly; and, according to the New Jersey Constitution, a balanced Budget must be approved and signed by the Governor before July 1. After the Legislature passes the Appropriations Act, the Governor has the power to veto specific appropriations (line items), or appropriation language segments, some of which may have been added by the Legislature as a result of its review. The line-item veto allows the Governor to reshape the final Budget and ensure that appropriations do not exceed the certified level of revenues. (As part of the final Appropriations Act, the Governor must "certify" the level of revenues in order to meet the constitutional requirement of a balanced budget.) The final approved Budget, which includes the Governor's line-item vetoes and certification of revenues, is the Appropriations Act. Once the budget is enacted, it becomes an effective tool for fiscal control and monitoring program effectiveness.

Throughout the course of the fiscal year, the Legislature has the authority to pass legislation that provides funding for programs and projects above and beyond those provided for in the Budget. The additional amounts of funding provided by these acts of the Legislature are referred to as "supplemental appropriations." The Director of Management and Budget also has statutory authority to authorize supplemental appropriations at any time during the fiscal year by virtue of authorizing budget language contained in the Appropriations Act. This is accomplished and documented by the issuance of Directory Letters from OMB.



HOW THE BUDGET IS ORGANIZED

The New Jersey State Budget is divided into five major sections, which provide information on a broad range of budget related topics, including anticipated state revenues, gubernatorial policies and new initiatives, and agency programmatic achievements. The major sections are described below:

- 1.) The ***Governor’s Budget Message*** describes in general terms the policies and new initiatives as well as the reductions and efficiencies proposed in the Budget. The Governor’s Message generally includes a description of the economic situation within the state and the expected impact of projected economic trends on the state’s fiscal condition. The Governor’s Message may also include broad programmatic goals for each of the individual State departments or major segments of the government as well as policy directions for the upcoming fiscal year.
- 2.) The ***Summaries of Appropriations Section*** of the Budget includes a selection of tables and charts designed to summarize the Governor’s recommendations and highlight the major changes included within the proposed Budget. For instance, the *Budget in Brief* provides a summary of total revenues and recommendations for each of the state’s major fund categories, such as the General Fund, Casino Revenue Fund, and Property Tax Relief Fund. This section also includes a number of fiscal tables which explain the Governor’s recommendations at various, significant levels of aggregation.

Summary of Appropriation Recommendations

Summary of Appropriation Recommendations by Fund

Summary of Appropriation Recommendations by Organization

Summary of Appropriations by Category or Purpose

Summary of Appropriations by Statewide Program

Appropriations – Major Increases and Decreases

Also included within this section is the *Major Highlights* of the fiscal year 2006 Budget, which discusses the major programmatic and operational impact of the budget proposals.

Additional summaries of major increases and decreases, and charts and graphs depicting significant programmatic or fiscal trends included within the FY 2006 Budget are also included within this section.

- 3.) The ***Summaries of Revenues, Expenditures and Fund Balances*** section provides an overview of the state’s economy and revenue outlook and the impact that anticipated economic trends will have on the state’s revenue estimates. The tables included within this section highlight the state’s major revenue sources, such as the income tax, sales tax, corporation tax, etc., and provide year–to–year comparisons and projections for the fiscal year 2006 budget year. Most of the schedules and exhibits in this section are displayed by *Fund*. For the purposes of state financial accounting, funds are accounting entities which segregate financial resources according to the purposes for which they may be used.

READER'S GUIDE

This section includes four “major schedules” which provide detail of actual and estimated revenues and expenditures by department. Within each department, individual revenue sources are shown, including those which are dedicated to support specific functions or programs and are derived from fees, fines, or charges for services, which are established by law or agency regulation.

Schedule I depicts anticipated revenue which, together with estimated beginning Undesignated Fund Balance (Surplus), provide the resources for the recommended appropriations summarized in **Schedule III** (Expenditures Budgeted).

Schedules II & IV enumerate estimated revenues and expenditures on an as received basis over and above the general revenues and specific line item appropriations shown in **Schedules I & III**.

- 4.) The **Budget Recommendations** section is the largest section of the Budget and includes the greatest detail on proposed appropriations. It is divided into categories based on the source and use of appropriations; and is organized by Governmental Branch and sorted in alphabetical order by agencies or executive departments. The major sub-divisions of this section are summarized below:

- a. Department and Branch Recommendations
(Direct State Services, Grants-In-Aid, State Aid and Capital Construction)
- b. Debt Service
- c. General and Federal Fund Language Provisions
- d. Revolving Funds
- e. Appendices

4.A.) Budget Recommendations – Overview

For fiscal 2006, the Budget displays all of a department’s non-debt appropriations in a single subdivision of the document. The separate sub-divisions for Direct State Services (i.e. funds to support operations), Grants-In-Aid, State Aid and Capital Construction are now shown together in a consolidated display. Appropriations for Dedicated Funds (e.g. Property Tax Relief Fund, Casino Revenue Fund, etc.) are also included in the consolidated departmental presentation. An aggregate view of appropriation recommendations affecting State Aid, the Casino Revenue Fund, etc., are presented in new summaries in the “Summaries of Appropriations” section.

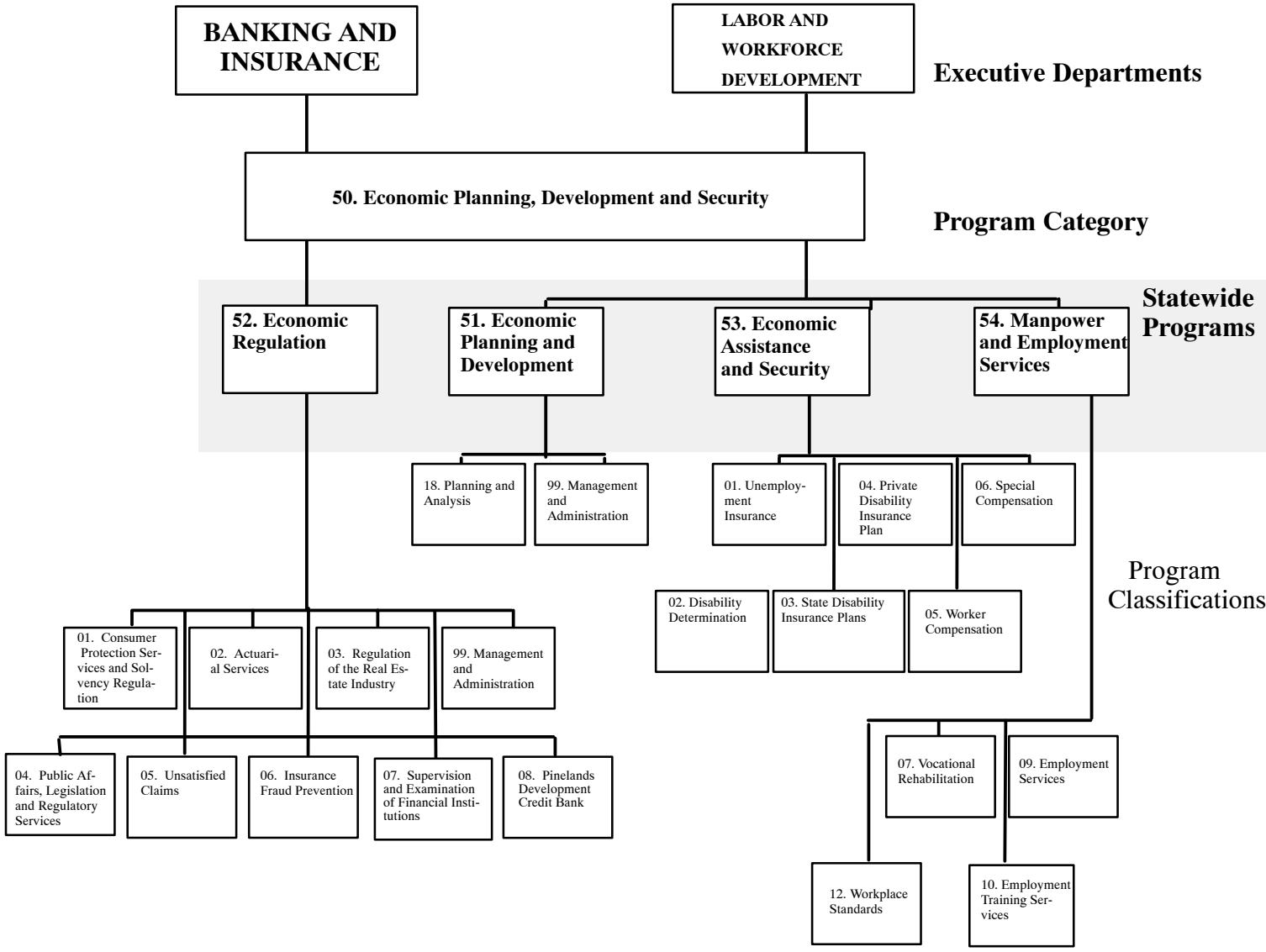
This consolidated presentation provides readers with a comprehensive view of all of a department’s operations, across all spending categories and funds and provides New Jersey citizens with a better understanding of the relationships between *all* of the recommendations affecting departmental programs.

Each of the sub-sections of the *Budget Recommendation* section follow a consistent hierarchical order – Department, Program Category, Statewide Program, Organization and/or Program Classification. Individual departmental presentations are grouped by “Statewide Program” which represent a high level, functional grouping of related programs contributing to a broad statewide objective. Statewide Programs generally span several departments. Examples of Statewide Programs include Public Safety and Criminal Justice, Natural Resource Management, and Parole and Community Programs.

Below Statewide Programs, the Budget presentation is further broken down into “Program Classifications,” which represent a lower level, operating program function, consisting of closely related activities with identifiable objectives or goals. Examples of program classifications include Water Supply Management, Forestry Management, Shellfish and Marine Fisheries Management, in the Department of Environmental Protection. Detailed descriptions of agency program classifications are provided at the beginning of each statewide program presentation within a department, along with objectives for the entire statewide program.

In the Department of Labor and Workforce Development for example, all programs are grouped under the broad **Program Category** of *Economic Planning, Development and Security*. They are further divided into the following four **Statewide Programs**: 1.) *Economic Planning and Development*, 2.) *Economic Regulation*, 3.) *Economic Assistance and Security*, and 4.) *Manpower and Employment Services*. Each of these **Statewide Programs** are made up of a number of individual program classifications. **Program Categories and Statewide Programs** generally span multiple departments.

The programmatic hierarchy of two State departments, Banking and Insurance and Labor and Workforce Development, is shown on the facing page. Note that the Statewide Program, Economic Regulation, is common to both.



READER'S GUIDE

4.B.) Budget Recommendations – Descriptions of Sub-Divisions

Detailed descriptions of the sub-divisions of the *Budget Recommendations Section* are provided below:

- a.) *Department and Branch Recommendations* is the sub-division of the Budget that relates to the appropriations and expenditures that support operations of State agencies, grants and state aid. In addition to appropriation and expenditure data, agency objectives, descriptions of agency programs and programmatic evaluation data are detailed. Federal and non-state funds are also included here.

Each statewide program presentation includes relevant *Evaluation Data*, which provide comparative measurements of agency workload, effectiveness, and/or efficiency. This information shows the impact of the recommended funding level on an agency's activities.

Information is provided on the number of employees and funded positions within each department. The actual number of employees reported may be less than the number of positions allocated to an agency and is dependent upon authorized hiring levels and other factors. Position and Personnel data are summarized by funding source and to the program classification level, and include information on the current year, two prior years, and a projection for the budget request year.

The *Appropriations Data* component includes detailed funding recommendations from the General Fund and Dedicated Funds by program classification, fund category (Direct State Services, Grants-In-Aid, State Aid and Capital Construction) and object of expenditure. The *General Fund* represents the collection of all State revenues, not otherwise restricted by statute. There are four major funds dedicated by the Constitution for specific purposes. The *Property Tax Relief Fund*, financed by the personal income tax, provides aid to local schools and municipalities as well as the Homestead Rebate Program, which offsets a portion of an individual's property taxes. The *Casino Revenue Fund*, the proceeds of a tax upon casino revenues, funds new or expanded programs for the elderly and the disabled. The *Casino Control Fund* represents the cost of regulating the casino industry, as charged to that industry. And the *Gubernatorial Elections Fund* consists of designated contributions by taxpayers for the public financing of gubernatorial elections. By examining changes in the program classification recommendations vis-à-vis prior year spending levels and other programs, readers will be able to ascertain savings and efficiencies as well as the relative priority that is being placed on specific agency program activities.

Various fund appropriations are broken down into categories based on how the appropriations will be used. *Direct State Services* represent funding to support the administration and direct operations of State programs. Objects of expenditure such as state employee salaries, materials and supplies, (paper, printing etc.), services other than personal (telephones, postage, software, consultant services) maintenance, equipment and special purpose accounts are included in this category. Contracted services, such as the operations of motor vehicle agencies, are also paid out of direct state services.

Grants-In-Aid appropriations represent funding of grants made to individuals and various public and private agencies, for services that are considered the overall responsibility of the State but that are provided by third parties. The largest grant-in-aid program is Medicaid, but others include block grants to senior public colleges and universities, subsidy assistance to NJ Transit, and tuition assistance programs. The State's Homestead Rebate program and the Direct School Tax Relief program are also funded in the Grants-In-Aid component.

State Aid is the recommendation for payments by the State to or on behalf of a local unit of government (county, municipality, or school district) to assist this local government in carrying out its responsibilities. The largest state appropriations are for aid to local schools.

Capital Construction contains the recommendations, by capital project within department, for current (pay-as-you-go) projects, as opposed to those funded by long-term bonds. A capital project includes the acquisition of land, new structures and equipment, and other projects whose estimated cost of land, planning, furnishing and equipping is estimated to be \$50,000 or more. Projects or acquisitions under \$50,000 are appropriated in the maintenance accounts in Direct State Services.

Language Recommendations, the final, significant item of this budget sub-division are included at the end of statewide program or departmental presentations. These language provisions are as significant as the fiscal recommendations because they provide the Department, the Legislature, or the Director of the Division of Budget and Accounting with specific budget and/or spending authority or establish limits on such authority. It is through budget language, that prior year balances are appropriated for current year expenses or lapsed, and that departments are incentivized allowing retention of fine or fee revenue above a specific predetermined amount.

- b.) The *Debt Service* sub-division depicts the amounts necessary to pay principal and interest due on capital projects financed by general obligation bonds of the State. The primary method for financing of capital projects is through the sale of bonds. No debt can be issued by the State without approval by a majority of the legally qualified voters. This section also includes a brief description of the active bond issues financed by current Debt Service appropriations. Historically, New Jersey Debt Service payments average approximately three percent of the total General Fund appropriations.
- c.) The *Language Provisions* sub-division of the Budget establishes authority beyond the specificity of the detailed line-item budgets for both general and federal funds. They apply to broad areas of the budget such as entire funds, appropriations in general and in some cases mandate additional administrative requirements related to the enactment of the budget. Language also authorizes adjustments for reorganizations and corrections to the appropriations act after its enactment.

- d.) *Revolving and Other Funds* is the sub-division of the Budget that depicts programs or agencies not provided with direct appropriations, but rather operate from fees charged for services or commodities provided to other State agencies. Examples include print shops, laundries, and information processing services.
- 5.) The *Appendix* includes Statements of Estimated Revenues, Expenditures and Fund Balances of the State's Special Revenue, Capital Projects and Trust Funds (excluding Pension Trust Funds). The statements include the actual revenues and expenditures for the fiscal year ended June 30, 2004, presented in accordance with generally accepted accounting principles, as well as estimated amounts for fiscal 2005 and fiscal 2006.

Special Revenue Funds (Appendix 1A) are used to account for proceeds of specific revenue sources (other than special assessments, expendable trusts or for major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Projects Funds (Appendix 1B) are used to account for financial resources to be used for the acquisition or construction of major capital facilities for State use. Funds granted to other units of government for facilities are not classified as Capital Project Funds and are included as expenditures of Special Revenue Funds. Various Capital Projects Funds include funds both for capital facilities for State use and for grants to other units of government.

Trust Funds (Appendix 1C) are used to account for assets held by the State in a trustee capacity for individuals, private organizations, other governments and/or other funds.

Other exhibits in the appendix include a listing of programs eligible for support from the Lottery Fund in addition to other special summaries.

BASIS OF BUDGETING

An annual budget is prepared for the General Fund and certain special revenue funds (Casino Control, Casino Revenue, Gubernatorial Elections, and Property Tax Relief funds). The Legislature enacts the Budget through passage of specific departmental appropriations, the sum of which may not exceed estimated revenues and the Governor is responsible for the final certification of revenue.

The Governor's budget is prepared in accordance with generally accepted accounting principles (GAAP). Revenues are recognized when susceptible to accrual; that is, when they are both measurable and available to finance expenditures of the fiscal period. Significant revenue sources which are susceptible to accrual include sales tax, individual income taxes, corporate income taxes and federal grants.

Appropriations are recommended at a level sufficient to recognize all accrued expenditures applicable to the fiscal period. Expenditures are recorded on an accrual basis when the related liability is incurred. Disbursements for prepaid expenses, inventory items, and fixed assets are recorded when expenditures are incurred. Expenditures for principal and interest on general obligation long-term debt are recognized when due.

The use of the term "expended" to report the most recent actual year activity in the budget is not in strict accordance with GAAP, in that this amount includes encumbrances which under GAAP are reservations of fund balance, not expenditures.

RELATIONSHIP TO THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

The Department of the Treasury, OMB, issues the Comprehensive Annual Financial Report (CAFR) which includes all funds. The State's budgetary basis differs from that utilized to present financial statements in conformance with generally accepted accounting principles (GAAP). The main differences between the budgetary basis and the GAAP basis are that under the budgetary basis encumbrances are recognized as expenditures, the federal revenue related to such encumbrances is also recognized, and the budgetary basis reflects transactions only for the current fiscal year. In addition, the budgetary basis does not accrue the value of food stamps.

BUDGETARY CONTROL

Budgetary control is maintained at the item of appropriation level. "Item of appropriation" means the spending authority associated with an organization, appropriation source, and program classification, as identified by line-items in the Appropriations Act. Internal transfers within programs are permitted within certain constraints, transfers between program or over designated levels require the approval of the legislature. In cases where appropriations are based on anticipated revenues, spending authority will be reduced by the amount of the deficiency. Other changes to the budget not authorized by specific language provision, must be approved by the legislature in a supplemental appropriation.

YEAR END BALANCES

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

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10. PUBLIC SAFETY AND CRIMINAL JUSTICE
12. LAW ENFORCEMENT

OBJECTIVES

PROGRAM CLASSIFICATIONS

1. To prosecute all criminal appeals.

09. **Criminal Justice.** Exercises functions pertaining to enforcement and prosecution of criminal activities in the State.

EVALUATION DATA

	Actual FY 2003	Actual FY 2004	Revised FY 2005	Budget Estimate FY 2006
PROGRAM DATA				
Criminal Justice				
Complaints, Inquiries, Other Matters (Closed)	3,343	5,571	6,000	6,000
PERSONNEL DATA				
Position Data				
State Supported	359	368	354	424

APPROPRIATIONS DATA
(thousands of dollars)

Year Ending June 30, 2004					Year Ending June 30, 2006				
Orig. & (S)Supple- mental	Reapp. & (R)Recpts.	Transfers & (E)Emer- gencies	Total Available	Expended	Prog. Class.	2005 Adjusted Approp.	Requested	Recom- mended	
Distribution by Program									
22,507	4,646	712	27,865	27,121	Criminal Justice	09	21,691	28,291	28,291
22,507								1	28,291
690								5	625
447								7	477
2,321								1	4,631
2,321								1	4,631
17,559								1	23,691
								0	1,000
								0	1,000
4,948								0	3,600
4,948								0	3,600
<u>1,000</u>	<u>—</u>	<u>—</u>	<u>1,000</u>	<u>1,000</u>	<i>Total Capital Construction</i>		<u>—</u>	<u>—</u>	<u>—</u>
23,507	4,646	712	28,865	28,121	TOTAL STATE APPROPRIATIONS		<u>—</u>	<u>—</u>	<u>—</u>
Federal Funds									
59,655	14,486	-151	73,990	31,803	Criminal Justice	09	42,574	33,350	33,350
59,655	14,486	-151	73,990	31,803	<i>Total Federal Funds</i>		42,574	33,350	33,350
All Other Funds									
	1,136				Criminal Justice	09	34,850	34,760	34,760
	16,125 ^R	1,975	19,236	8,583	<i>Total All Other Funds</i>		34,850	34,760	34,760
	17,261	1,975	19,236	8,583					
83,162	36,393	2,536	127,091	68,507	GRAND TOTAL		99,115	96,401	96,401

Reading the Budget Tables

The Appropriation summaries and individual agency Budgets included in the New Jersey Budget document generally follow a consistent format, an annotated version of which is shown on the following pages.

Notes — Direct State Services – General Fund

(a) The fiscal 2005 appropriation has been adjusted for the allocation of salary program.

Language Recommendations — Direct State Services – General Fund

The unexpended balance at the end of the preceding fiscal year in the Victim Witness Advocacy Fund account, is appropriated for the same purposes derived.

A statement of specific, measurable accomplishments related to the need, problem or opportunity the program is designed to address

Program Classification Account code.

Evaluation Data provides measurements of workload effectiveness and efficiency.

The Original and Supplemental column represents the original appropriation for fiscal year 2004 as enacted by the Legislature on July 1, 2003. This column also includes the total of all supplemental appropriations which were enacted by the Legislature and signed into law by the Governor during fiscal year 2004.

Reappropriations and Receipts column contains two separate items: Reappropriations, which represent funds that remained unexpended from a prior fiscal year and were made available for spending purposes in the budget year. Reappropriations are usually restricted to certain programs or accounts with multi-year obligations, such as Capital Accounts, where rehabilitation or construction projects typically take several years. Receipts represent dedicated taxes or fees which are credited to a specific account or agency. An example of receipts are funds collected for Hunters and Anglers' programs from license fees Receipts are indicated by a superscript "R".

Transfers and Emergencies are either Transfers, which represents monies which were either transferred between departments and agencies or between fund categories, or Emergencies, which represent an allocation of funds to an agency from the State Emergency Fund to meet unanticipated spending requirements. In the tables within the Budget Recommendation section, emergency transfers are indicated by a superscript "E".

Total Available is the total of the original and supplemental appropriations plus any reappropriations and receipts plus or minus transfers and emergency funds.

The Expended Amount represents total disbursements and obligations made in fiscal year 2004.

10. PUBLIC SAFETY AND CRIMINAL JUSTICE
12. LAW ENFORCEMENT

OBJECTIVES

1. To provide statewide law enforcement services.

PROGRAM CLASSIFICATIONS

09. Criminal Justice. Exercises functions pertaining to enforcement and prosecution of criminal activities in the State.

EVALUATION DATA

PROGRAM DATA	Actual FY 2003	Actual FY 2004	Revised FY 2005	Budget Estimate FY 2006
Criminal Justice				
Complaints, Inquiries, Other Matters (Closed)	6,027	6,689	7,000	7,000
PERSONNEL DATA				
Position Data				
State Supported	3,158	3,236	3,216	3,387

APPROPRIATIONS DATA
(thousands of dollars)

Year Ending June 30, 2004					Year Ending June 30, 2006			
Orig. & (S) Supplemental	Reapp. & (R) Recpts.	Transfers & (E) Emergencies	Total Available	Expended	Prog. Class.	2005 Adjusted Approp.	Requested	Recommended
DIRECT STATE SERVICES								
Distribution by Fund and Program								
17,559	4,646	682	22,887	22,143	09	18,091	23,691	23,691
17,559	4,646	682	22,887	22,143		18,091^(a)	23,691	23,691
Total Direct State Services								
Distribution by Fund and Object								
Personal Services:								
152,359	5,514 ^R	3,315	161,188	144,517		142,686	154,537	154,537
152,359	5,514	3,315	161,188	144,517		142,686	154,537	154,537
Total Personal Services								
GRANTS-IN-AID								
Distribution by Fund and Program								
—	—	—	—	—	09	—	1,000	1,000
Total Grants-in-Aid								
Distribution by Fund and Object								
—	—	—	—	—	09	—	1,000	1,000
STATE AID								
Distribution by Fund and Program								
4,948	—	30	4,978	4,978	09	3,600	3,600	3,600
4,948	—	30	4,978	4,978		3,600	3,600	3,600
Total State Aid								
Distribution by Fund and Object								
4,948	—	30	4,978	4,978	09	3,600	3,600	3,600
CAPITAL CONSTRUCTION								
Distribution by Fund and Program								
1,053	1,177	(14)	2,216	665	06	7,425	15,741	5,831
1,053	1,177	(14)	2,516	665		7,425	15,741	5,831
Total Capital Construction								
Distribution by Fund and Object								
1,053	1,177	(14)	2,516	665	11	7,425	15,741	5,831
218,368	21,359	3,992	243,719	236,439		243,975	274,046	264,136
Grand Total State Appropriation								
OTHER RELATED APPROPRIATIONS								
Federal Funds								
59,655	14,486	(151)	73,990	31,803	09	42,574	33,350	33,350
59,655	14,486	(151)	73,990	31,803		42,574	33,350	33,350
Total Federal Funds								
All Other Funds								
—	1,136	1,975	19,236	8,583	09	34,850	34,760	34,760
—	17,261^R	1,975	19,236	8,583		34,850	34,760	34,760
295,785	108,360	21,821	425,966	347,051		403,717	428,317	418,407
GRAND TOTAL ALL FUNDS								

Notes — Direct State Services — General Fund

(a) The fiscal year 2005 appropriation has been adjusted for the allocation of salary program.

Language Recommendations — Direct State Services — General Fund

The unexpended balance at the end of the preceeding fiscal year in the Victim Witness Advocacy Fund account, is appropriated for the same purpose.

Program Category—The broadest grouping of programs presented in the Budget document.

Statewide Program—A high level, functional grouping of related programs.

Program Classes—low level, operating program functions grouped together under statewide programs. It is the level at which Appropriations are made.

Adjusted Appropriation represents the current fiscal year appropriation, adjusted to include any distributions made from central, interdepartmental accounts to cover employee cost of living adjustments, etc., as well as any supplemental appropriations which were enacted prior to the printing of the Budget or anticipated through year end.

The Requested column represents the amount requested by the various Executive departments, and agencies and other branches of government.

The Recommended Budget column represents the Governor's proposal to the Legislature.

Other Related Appropriations, also called below-the-line appropriations, are summarized in the Direct State Services presentation in order to provide an overview of agency budgets encompassing all spending categories and funding sources.

Appropriation Language is as important as the fiscal recommendations. It sets limits and conditions on the use of appropriations.

READER'S GUIDE

GLOSSARY

This glossary contains definitions of terms used in this budget, or in State budgeting and accounting procedures. It is not intended to be an exhaustive dictionary of accounting and budgeting terms, but does define the most commonly used terminology.

ACT — A bill passed by the legislature and signed into law by the Governor.

ADDITIONS, IMPROVEMENTS AND EQUIPMENT — Additions and improvements that are less than \$50,000 in cost and the purchase of equipment such as vehicles, office equipment and information processing equipment. Any addition and improvement that is \$50,000 or more or is for a new structure is classified as Capital Construction.

ADJUSTED APPROPRIATION — The total of an original appropriation, all supplemental appropriations, certain allotments from Inter-departmental appropriations, and other budgetary adjustments.

ALL OTHER FUNDS — Revenues, other than Federal, that are not anticipated as resources to support the annual State budget. Upon receipt, these funds become appropriated, as provided by the language of the Appropriations Act.

ALL OTHER POSITION — A position specifically approved and funded by non-state, non-federal sources in a salary object account.

ALLOTMENT — An allocation of a portion of an appropriation to make it available for encumbrance or disbursement by the agency to which appropriated, and usually applying to a period of time; e.g., a calendar quarter.

ANTICIPATED RESOURCES — For each fiscal year, is the sum of the estimated surplus at the end of the prior fiscal year, together with all estimated revenues for the General Fund from all sources, including taxes and license fees, other miscellaneous departmental and interfund transfers.

ANTICIPATED REVENUE — That portion of estimated revenues to be realized in any fiscal year that have been anticipated as General Fund resources to support the appropriations made, or undesignated fund balance projected, in the annual Appropriations Act. Such revenues are not available for expenditure unless appropriated by the Legislature.

APPROPRIATED REVENUE — Those revenues not previously anticipated or budgeted, which upon receipt increase appropriation balances as authorized in the Appropriations Act, and from which agencies may incur obligations or make expenditures for specific purposes.

APPROPRIATION — The sum of money authorized by an act of the Legislature for expenditure for a particular fiscal year.

APPROPRIATIONS ACT — The Act passed by the New Jersey Legislature to appropriate, on an annual basis, the resources of the State for state operations, grants-in-aid, state aid, capital, and debt service expenses.

ATTRITION — A means of reducing the number of employees by not refilling positions vacated through resignation, reassignment, transfer, retirement or means other than layoffs.

BEGINNING BALANCE — The resources available at the start of a state fiscal year that are carried over from the prior fiscal year.

BILL — A proposed law.

BLOCK GRANT — An amount allotted by the Federal government to the State to be allocated to a particular program area within general guidelines as the State determines.

BOND — A funding tool representing a written promise to pay a specific sum of money in the future plus interest.

BOND FUND — A fund into which are received the proceeds from the issuance of bonds, and from which are paid all proper expenditures for the purposes for which the bonds were authorized.

BUDGET — The proposed financial plan of the State government for the fiscal year, setting forth the anticipated resources from all sources and proposed appropriations.

BUDGET CYCLE — The four major phases that constitute the traditional budget cycle: (1) central and agency planning, (2) agency/executive preparation, (3) legislative review, and (4) execution and evaluation.

BUDGET REQUEST — The request, required by law, of each spending agency for an appropriation or permission to spend during the next ensuing fiscal year.

CAPITAL CONSTRUCTION — This category includes funds budgeted for:

- 1.Acquisition of or option to buy land and right-of-way and existing improvements therein, regardless of cost.
- 2.New buildings and structures not attached to or directly related to any existing structures, regardless of cost.
- 3.Projects whose estimated cost, including land, planning, furnishing and equipping, is usually \$50,000 or more, regardless of the construction involved, with a useful life of at least ten years.
- 4.Any addition or improvement that is \$50,000 or more.

CAPITAL PROJECT FUNDS — Account for financial resources for the acquisition, construction or renovation of major capital facilities.

CASINO CONTROL FUND — Accounts for fees from the issuance and annual renewal of casino licenses, work permit fees, and other license fees. Appropriations are made to fund the operations of the Casino Control Commission and the Division of Gaming Enforcement.

CASINO REVENUE FUND — Accounts for the taxes imposed on the casinos and other related activities. Appropriations from this fund must be used for reductions in property taxes, utility charges and other specified expenses of eligible senior and disabled citizens.

CATEGORICAL GRANT — An amount allotted by the Federal government to the State to be allocated to a particular program area for a specific purpose or mandate of the Federal government.

CHART OF ACCOUNTS — A systematic structure for appropriating and recording accounting information pertaining to the financial activities of the State.

CONTINGENCY APPROPRIATION — An appropriation to provide for unforeseen expenditures or for anticipated expenditures of uncertain amounts.

DEBT SERVICE — One of the major subdivisions of the State budget, this category provides the resources to finance payment of general long-term debt principal and interest, such as bond issues or other long-term financing.

DEDICATED FUND — A fund normally contained in the General Fund, consisting of resources owned by the State, the use of which is constrained, either by statutory specification, dedication or other restriction, or a particular purpose or program. Receipts from a specific revenue source may be dedicated by the annual Appropriations Act or other legislation, to be used for some specific purpose.

DIRECT STATE SERVICES — One of the major subdivisions of the State budget, this category includes all general operating costs of State government, including programs that provide services directly to the public.

DISBURSEMENT — Payment of money out of any public fund or treasury. (See also EXPENDITURE.)

EMERGENCY FUND — A sum appropriated, within the Contingency Appropriation, for allotment to agencies to meet emergency conditions.

ENCUMBRANCE — A reservation of funds for future payment (disbursement) to liquidate an obligation incurred, usually supported by the issuance of a purchase order or the execution of a contract calling for payment in the future.

ENDING BALANCE — The amount of funds remaining in an account or fund at the end of the fiscal year.

GLOSSARY

EVALUATION DATA — The quantitative expression of the end products produced or other elements involved in the work of an organization.

EXCESS RECEIPTS — Any receipts collected by an agency in excess of anticipated resources in the annual Appropriations Act. Such excess receipts may either be appropriated for the agency's use by the annual Appropriations Act, or may be considered as an overrun of anticipations and, therefore, credited to the General Fund undesignated fund balance.

EXPENDITURE — Denotes charges incurred, whether paid or unpaid, thus including both disbursements and liabilities. (See also **DISBURSEMENT** and **ENCUMBRANCE**.)

EXPENDITURE ACCOUNT — An appropriation account in which expenditure transactions are recorded, normally termed an object account.

FEDERAL POSITION — A position specifically approved and funded by Federal Funds in a salary object account.

FISCAL YEAR — A twelve-month period of time to which the annual budget applies and at the end of which the State determines its financial position and the results of its operations. New Jersey State government has a July 1 to June 30 fiscal year.

FRINGE BENEFITS — Payments made by the State for retirement, social security, health and dental insurance contributions, workers' compensation, unemployment, survivors' and disability insurance.

FUND — A fiscal and accounting entity established for the purpose of achieving specified objectives or carrying on certain activities.

FUND BALANCE—DESIGNATED — Unexpended and unencumbered appropriations that are authorized to continue into the subsequent fiscal year. (See also **REAPPROPRIATION**.)

FUND BALANCE—UNDESIGNATED — Fund equity unrestricted and available for appropriation.

GAAP — Generally Accepted Accounting Principles—The rules and procedures necessary to define uniform accounting and financial reporting standards, including broad guidelines and detailed practices. The Governmental Accounting Standards Board (GASB) promulgates accounting principles for state and local governments.

GENERAL FUND— The funds into which all State revenues, not otherwise restricted by statute, are deposited and from which appropriations are made. The largest part of the total financial operations of the State are accounted for in the General Fund. Revenues received from taxes, most Federal revenue and certain miscellaneous revenue items are recorded in the General Fund. The Appropriation Acts enacted by the Legislature provide the basic framework for the operation of the General Fund.

GENERAL TREASURY— Consists of all funds over which the State Treasurer is custodian and/or funds of which the State of New Jersey is the owner or beneficial owner.

GRANTS-IN-AID — One of the major subdivisions of the State budget, this category includes all payments not otherwise defined as State Aid, made to individuals, public agencies or private agencies for benefits or services of three types: benefits to which the recipient is entitled by law or regulation; provision of services for which the State has primary responsibility; and subsidies and provision of services for which the State has no responsibility, but which it elects to provide.

ITEM OF APPROPRIATION — The spending authority identified by an organization code, appropriation source, and program code, unique to the item, and may include a number of object accounts within a program or specific appropriations made to Special Purpose, Grants-In-Aid, State Aid, Capital Construction or Debt Service line items.

INTER-DEPARTMENTAL ACCOUNTS — A group of accounts to which are appropriated funds for payment for or on behalf of all State agencies of rent, employee benefits, and contingency funds or for certain specified purposes.

INTERFUND TRANSFER — An amount transferred from one fund to another, normally authorized by the annual Appropriations Act.

LANGUAGE RECOMMENDATIONS — Language located at the end of a statewide program, department or in the General Provisions section, that provides specific spending or budget authority and/or places limitations on such authority.

LAPSE — The automatic termination of an appropriation. Appropriations are made for a single fiscal year. At the end of this period, any unexpended or unencumbered balances revert (lapse) to undesignated fund balance in the General Fund, or to the fund from which originally appropriated, unless specifically appropriated again in the succeeding fiscal year.

LIABILITY — Debt or other legal obligation arising out of transactions in the past that must be liquidated, renewed, or refunded at some future date. This term does not include encumbrances.

LINE OF CREDIT — The State's line of credit program, which was first implemented in 1995, provides the State with competitively bid, low interest cost funding for the procurement of the State's short term (3 yrs) equipment needs, specifically computers, furniture and vehicles.

LINE ITEM — Any single line account for which an appropriation is provided in an Appropriations Act. Includes appropriations made to specific object accounts, such as Materials and Supplies, or any Special Purpose, Grants-In-Aid, State Aid, Capital Construction or Debt Service account.

MAINTENANCE AND FIXED CHARGES — Constitute the routine repair and maintenance of buildings, property and equipment required to keep them in operation and prevent deterioration.

MATCHING FUNDS — Provisions in a grant agreement that require the government or agency receiving the grant to commit a certain amount of funding to a program before funding is made available by the granting authority.

MATERIALS AND SUPPLIES — Tangible consumable items used for operations but not for the maintenance of machinery or equipment.

NON-STATE FUND (ACCOUNT) — Any fund (or account within a fund) within the General Treasury, the proceeds of which arise from a source other than the General Fund, typically from Federal or foundation grants, pooled inter-governmental funds, or service charges. (See also **REVOLVING FUND**.)

OBJECT ACCOUNT — Part of the chart of accounts to classify articles purchased or services obtained.

OBJECT CATEGORY — A group of objects of similar character categorized for classification purposes. Examples are personal services, materials and supplies, services other than personal, and maintenance and fixed charges.

OBJECTIVE — A statement of specific, intended, measurable accomplishments related directly to the need, problem or opportunity the services to the client are designed to address.

OBLIGATION — An amount that the State may be required legally to meet out of its resources. It includes not only an actual liability, but also an unliquidated encumbrance, established by the issuance of a purchase order, the execution of a contract calling for payment at some future date, or a liability established in any other lawful way for future payment of a specified amount of money. An obligation normally results in an encumbrance in an appropriation account.

ORGANIZATION — Any State government entity that is established by statute, executive order or departmental order, to carry out one or more programs, for which a separate appropriation is made.

ORIGINAL APPROPRIATION — An appropriation made in the annual Appropriations Act.

GLOSSARY

PERSONAL SERVICES — An appropriation supporting State employee salaries and wages and other employee benefits.

PROGRAM — A group of related activities directed toward the accomplishment of an identifiable objective; it is established by statute, executive order or departmental order; it is distinguishable by its clientele, organization, subject matter or process.

PROGRAM CLASSIFICATION — An operating program function, consisting of closely related activities with an identifiable objective or goal, that is treated as an identifiable appropriation item.

PROPERTY TAX RELIEF FUND — Accounts for revenues from the New Jersey Gross Income Tax. Revenues realized from the Gross Income Tax are dedicated by the State Constitution. All receipts from taxes levied on personal income of individuals, estates, and trusts must be appropriated exclusively for the purpose of reducing or offsetting property taxes. Annual appropriations are made from the fund, pursuant to formulae established by the Legislature, to individuals, counties, municipalities, and school districts.

REAPPROPRIATION — The appropriation in any fiscal year of funds remaining unexpended at the end of the preceding fiscal year that are specifically appropriated in the succeeding fiscal year. (See also **FUND BALANCE—DESIGNATED**.)

RECEIPTS — A general term for cash received, which may either satisfy a receivable, be a conversion of another asset or a refund of a prior expenditure; it may also represent revenues earned or realized.

RECEIVABLE — An anticipated sum of money that is treated as revenue because it has been earned and is due. Such sums are available for expenditure by State agencies when properly authorized.

REFERENCE KEY (REF. KEY) — A columnar heading in the appropriation data section of each program budget which identifies a program classification to which a particular account relates.

REQUEST YEAR — The fiscal year for which a budget request is made.

REVENUE ACCOUNT — An account established for the purpose of recording the receipt of revenues from a specific source.

REVENUES — Funds received from taxes, fees or other sources that are treated as income to the state and are used to finance expenditures.

REVOLVING FUND (ACCOUNT) — A fund (or an account within any fund) established to finance (1) State activities of a business or commercial nature or (2) the operation of an intragovernmental service agency or enterprise that generates receipts (income) from the sale of commodities or services. Such receipts are available for the continuing operation of the activity or enterprise.

SERVICES OTHER THAN PERSONAL — The cost of purchased services that are primarily non-personal or of a contract nature under which no employer-employee relationship is established.

SPECIAL PURPOSE APPROPRIATION — A type of appropriation that includes monies for personal services, non personal services, maintenance, etc., but which is appropriated as a single amount and which does not specify amounts for individual objects of expenditure.

SPECIAL REVENUE FUNDS — Funds used to account for resources legally restricted to expenditure for specified purposes in accordance with enabling legislation.

SPENDING AGENCY — Any department, board, commission, officer or other State agency to or for which an appropriation is made.

STATE AID — One of the major subdivisions of the State budget; this category shall mean:

1. Monies paid by the State to a local government or to a nongovernmental agency for:
 - a. Assistance distributed to local governments according to a formula.
 - b. Assistance provided to aid local governments in carrying out activities that are the responsibility of the local unit.
 - c. Aid to non-governmental agencies for functions carried out on behalf of a local unit of government.
 - d. Payments specifically designated by law as State Aid.
2. Expenses incurred by a State department or agency on behalf of a local unit of government. Such expenditures may include:
 - a. Monies budgeted by the State to make payments on behalf of local government.
 - b. Administrative costs of State Aid programs.
 - c. Costs of State personnel engaged in services normally provided and paid for by a local government.

STATE APPROPRIATIONS LIMITATION ACT — The Act that limits the growth of the Direct State Services subdivision of the State budget based upon the average annual percentage increase in per capita income over the four fiscal years prior to the base year.

STATE SUPPORTED POSITION — A position specifically approved and funded by a State appropriation in a salary object account.

STATE TREASURY — A term used generally to refer to all funds (monies) deposited to the credit of the State of New Jersey. It includes the General Fund and funds from all other sources.

STATEWIDE PROGRAM — A functional grouping of related program classifications that contribute to satisfaction of some broader objective or objectives. Each Statewide program is presented as a separate component of the total budget of a department or agency.

STATUTE — A written law enacted by a duly organized and constituted legislative body.

STRATEGIC PLANNING — The process of making present decisions on the allocation of people, assets and priorities to reach an agreed upon objective, after consideration of needs and constraints.

SUPPLEMENTAL APPROPRIATION — An appropriation made in addition to (or supplemental to) the annual Appropriations Act.

SURPLUS — Revenue exceeding expenditures over a given period of time. (Also see **FUND BALANCE**.)

SURPLUS REVENUE FUND — A reserve into which certain revenues are deposited when the amount collected exceeds the amount anticipated. The balance in this fund may be appropriated upon certification by the Governor that anticipated revenues are less than those certified or to meet emergencies. (Rainy Day Fund)

TRANSFER (OF APPROPRIATION) — A transaction that reallocates all or part of any item in an appropriation to another item in that appropriation.

TRUST AND AGENCY FUNDS — Funds used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

UNEXPENDED BALANCE — The remaining appropriation balance in an account after charging all disbursements and encumbrances.

VETO — An official action by the governor to nullify legislative action.