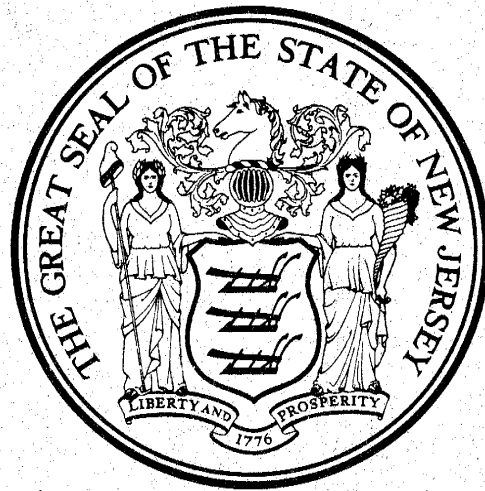


***Fiscal Year 1994***

***Budget  
in  
Brief***



***Jim Florio, Governor***

***February 9, 1993***

**Fiscal Year 1994**

**Budget  
in  
Brief**



**Jim Florio, Governor**

*Samuel Crane  
State Treasurer*

*Richard F. Keevey  
Director  
Office of Management & Budget*

*Michael R. Ferrara  
Assistant Director  
Budget and Planning*

*Joseph Vivona  
Deputy Director  
Office of Management & Budget*

February 9, 1993



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished  
Budget Presentation  
Award*

**PRESENTED TO  
State of New Jersey**

**For the Fiscal Year Beginning  
July 1, 1992**

*John A. ...* *Jeffrey L. Eselle*

President

Executive Director

*The Government Finance Officers Association of the United States and Canada (GFOA) presented an award for Distinguished Budget Presentation to the State of New Jersey for its annual budget for the fiscal year beginning July 1, 1992.*

*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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## INTRODUCTION

The art of budgeting for state governments continues to evolve as the depth of the relationship between the national economy and a state's economic and social conditions is better understood. In New Jersey, the Governor and his colleagues in the Legislature have focused on this critical factor in budget-making. State political boundaries offer no immunity to cyclical and long-term economic forces involving international and national markets. A recession causes the demand for State services to rise, but the State revenues necessary to support both immediate needs and long term investment decline. A poor economy affects crime rates as well as unemployment rates; employment loss triggers the termination of health benefits and fuels familial breakdowns; and it is no exaggeration to suggest that economic hard times perpetuate drug and alcohol abuse. Nevertheless, states must also be careful not to lose sight of their long-term economic mission of investing in their people and their infrastructure.

The focus of attention in this budget continues to be on the long-term viability of the economic recovery. It is consistent with the strategy employed during the past three years—invest in the economic basics necessary to take full advantage of the recovery and ensure that the New Jersey recovery is lasting and secure.

Among the states, New Jersey has led the way in addressing economic and social concerns. We have used the budget as the major instrument for implementation of policies that follow from the demands of our citizens.

New Jersey has been at the forefront of restoring environmental quality, doing so without compromising economic progress. We have made enormous investments in our transportation infrastructure, creating a road system that is an efficient means for delivering goods to the market-place, and transporting millions of people to the work-place. New Jersey supports its system of public education, taking on the challenges of educational reform in its urban areas where so many of our children attend, and upon whom so much of our economic future depends. Assertions to the contrary, we have increased aid to middle class school districts as well, and have redressed property tax increases in most areas of the State. Health care has been expanded to provide virtually all pregnant women with prenatal care and their newborn babies with preventive health services. We are continuing our battle against crime and drug abuse as part of our commitment to improve

neighborhood safety. The issue of government efficiency has been addressed head-on, and despite increasing demands for services, we have pared State government operations and aggressively pursued our fair share of federal financial support.

### **The Fiscal Year 1994 Budget— Highlights and Emphasis**

The fiscal year 1994 Budget continues New Jersey's investment in itself. In a spirit of cooperation and leadership, the Executive and the Legislative branches have agreed upon significant initiatives in jobs creation, capital investment, education, and health care. The fiscal year 1994 Budget supports these initiatives as well as long-term policy directions regarding the environment, public safety, higher education, streamlining government, and relieving the burden of property taxes.

**Jobs Creation.** This year marks the beginning of our Workforce Development Partnership, a program which creates a permanent source of funding for job retraining for the currently employed who are in danger of losing their jobs, as well as for displaced workers. It brings together the State's training resources, including our community colleges, businesses in need of skilled workers, individuals in need of the technical training required in emerging markets, and our labor unions. Beginning in fiscal year 1994, revenues of \$50 million per year will be available for customized training services and individual training grants.

The fiscal year 1994 Budget continues the implementation of the Family Development Act. Under this welfare reform initiative, individuals on public assistance are given the responsibility to partake of job training and employment programs. In return, medical and cash benefits are continued during the course of the program, providing families with the support that is necessary to achieve financial independence. Families remain eligible for Medicaid for two years after the head of household becomes employed, and the families are allowed to keep a larger portion of cash assistance than would otherwise be permissible under traditional public assistance benefit reduction criteria. Eight of the State's twenty-one counties will be involved in the program. Welfare caseloads are expected to be reduced by two percent per year during the first five years of the program. The Budget recommends \$34.6 million for Family Development.

## *Building the Budget*

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**Capital Investment.** Current economic conditions present an opportunity to invest in the State's infrastructure. Historically low interest rates and a competitive capital construction market make possible, at a relatively low cost, the much needed renovation and rehabilitation of public facilities like parks and beaches, elementary and secondary schools, State colleges, and State institutions. A major Capital Investment Program is included in this budget. It will serve a dual purpose—infrastructure improvements and the creation of private sector jobs. The repairs and renovations to public facilities supported by this program will secure their use by future generations.

Accelerated job creation is the initial benefit of publicly financed investment in an economy that is in a period of modest economic recovery. Increasing private sector employment permeates an entire economy, boosting consumer confidence, and triggering higher levels of economic activity. New Jersey, having endured a difficult national recession, is primed for such an investment. Further, maintaining our parks and shoreline makes good economic sense by preserving the major attractions of the State's significant tourism industry. (It should be noted that specific funding for shore protection programs is included in this budget.) In addition, this fund will be used to defray the costs of business expansion, and relocation to New Jersey, by providing low interest loans for equipment leases as well as building renovation costs. This is a two-year program totaling \$564 million, with \$283.5 million recommended in fiscal year 1994.

**Education.** In the face of an additional court challenge by the plaintiffs on the one hand, and almost certain reductions in aid to middle-wealth districts on the other, the Governor and Legislature reached an agreement on funding education for fiscal year 1994. According to this agreement, signed into law on January 14, 1993, the 30 special needs districts will share an increase of approximately \$115 million in Foundation Aid, while other formula aid districts will receive Foundation Aid increases of 4.0 percent compared to 1992-1993. Transportation aid will be increased for each district by approximately 1.5 percent. All other aid will remain the same, including Transition Aid, which was scheduled to be reduced by one-third under the Quality Education Act (QEA). The agreement also restores the State's legal obligations to pay the employers' contributions for teachers' pensions and social security, which QEA had made the responsibility of local districts. (In 1991-1992 and 1992-1993, the State continued fiscal

responsibility for these costs, but the legal responsibility remained with the districts.) Unlike other aspects of the agreement, which are intended to apply only to fiscal year 1994, the pension and social security changes affected the permanent statutes. Finally, the agreement establishes a joint legislative-executive commission to review school funding in New Jersey and to recommend a new or revised formula.

Refinancing the State's debt has offered a unique opportunity to address some of the need throughout the state to repair or replace school buildings, some of which are more than a century old. This year, \$50 million in grants will be available to the special needs districts for their facilities. An additional \$105 million will be structured as low interest loans and offered to other districts.

**Health Care.** Access to high quality health care should be considered a right and not a privilege. New Jersey has a long tradition of expanding health coverage, and ensuring that health care is available. Unfortunately, the ever increasing cost of providing health care created a number of troubling trends in the last decade. Employers who provide benefits to their employees saw their health insurance premiums explode. Small businesses and start-up enterprises could not afford to provide insurance to their employees in the first instance, leaving many workers and their families without coverage. Growing unemployment caused by the national recession added to the list of the uninsured. Finally, businesses and individuals with health coverage bore an added burden: they paid for the cost of charity care to the uninsured in hospitals as well as the bad debt incurred by hospitals. This turned out to be bad medicine for companies because it undermined their competitiveness in the international marketplace. It was bad news for individuals who try to balance their personal budgets.

The Health Care Reform Act is a major step in redressing problems with health care costs. First and foremost, the legislation continues the policy of access to health care services for any New Jerseyans needing treatment. It attempts to incorporate cost control in the health delivery system by fostering competition in the industry, providing incentives for reducing hospital bad debt, and increasing health insurance enrollment. Furthermore, it eliminates the surcharge on hospital bills, which will reduce the cost to businesses that offer health care benefits. State government, a major employer, will also benefit from these changes through reduced costs for health coverage.



To ensure that health care is not denied residents of the State because of their inability to pay, the Act created a Health Care Subsidy Fund. It is financed by employer/employee taxes that are redirected from the Unemployment Compensation Trust Fund. The Health Care Subsidy Fund will provide a total of \$500 million in charity care subsidies, plus \$100 million in additional subsidies to ease the transition to a deregulated environment during calendar year 1993.

Further, the budget recommends the Hospital Health Care Subsidy for hospitals that provide a disproportionate share of health care services to the uninsured. Inclusive of Federal matching funds, the subsidy provides up to \$163 million to our hospitals. This and other health care recommendations are designed to protect at-risk populations living in areas where health care services, beyond the hospital setting, are inadequate. Finally, a special recommendation that will increase health insurance coverage for uninsured children is included in the budget.

**Improving the Environment.** Air quality is a key measure of the health of our environment. During 1992, the State witnessed the implementation of a new automobile fuel standard. Oxygenated gas is formulated to reduce harmful auto emissions. Its introduction to New Jersey, the most densely populated state in the nation, and an area with over five million motor vehicles, will improve air quality dramatically. During the 1980s the State averaged 35 ozone days per year – days when the ozone levels are considered dangerous. Ozone days have been reduced to an average of 20 per year, a 43 percent drop, from 1990 through 1992. In 1992, dangerous ozone levels were present on only nine days. Further reduction in the emission of harmful pollutants into the air comes down to improving the anti-pollution performance of each and every car that is driven within this State.

**Public Safety.** New Jersey will continue its efforts to attack the problem of urban crime and violence. Since 1991, Trenton has served as a national model for the “Weed and Seed” Program, a coordinated, multi-disciplinary response to violent and drug-related crime in the city. Funded by a federal grant as well as State dollars, the program works to first rid neighborhoods of violent street gangs and open drug markets and to enhance public confidence in law enforcement. The “seed” phase is then designed to strengthen existing community institutions, encourage legitimate enter-

prise and subsidize urban renewal, rehabilitation and redevelopment projects. The State has also begun to implement a plan to combat the increasing problem of car theft, particularly in Newark. The plan will provide for additional judges, attorneys and probation officers, and mandatory jail sentences for car thieves. State troopers are being assigned to bolster local law enforcement efforts.

Building on the success of the “Weed and Seed” Program, we will launch a statewide strategy to make our streets and communities safer by reducing the incidence of violent crime. The Police/Community Partnership Program, supplementing the Safe and Clean Neighborhoods Program, will provide \$15 million in funding to eligible municipalities to intensify law enforcement efforts in removing violent criminals from neighborhoods and making citizens feel more secure by increasing police visibility and accessibility. The concept of “community policing” encourages a partnership between the community and the police in which community residents are mobilized to assist law enforcement in identifying problems and proposing solutions.

The fiscal year 1994 Budget recommends funding for the 92 recent graduates of the 113th State Police class. These additional troopers, coupled with the recommended funding for the training and salaries of a 114th State Police class, will further enhance the State’s capabilities in meeting public safety needs, anti-crime programs, reducing accidents, and furthering the safety of each and every patrol trooper.

To continue to address the decade-long prison overcrowding problem, the State will begin construction in fiscal year 1994 of a new 2,000 bed prison. Existing State facilities are packed to 132 percent of their design capacity and more than 3,000 State inmates are backed up in county jails. A recent court decision and other pending litigation could limit the future number of inmates that the State can continue to house in the county jails.

**Higher Education.** Since taking office, this Administration has had two goals for higher education: ensuring that a college education is accessible and affordable for all residents of the state, and maintaining the tremendous strides made by our public colleges and universities during the past decade. The cornerstone of affordability is the Tuition Assistance Grant Program,

## *Building the Budget*

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which mitigates the effects of tuition charges for all lower- and middle-income students. Since fiscal year 1990, the program has experienced an increase of \$60 million, or nearly 100 percent. During that time, the number of students receiving TAG awards has increased dramatically, by 52 percent, in part due to increased enrollments and in part due to reduced household income for existing students. The fiscal year 1994 Budget provides funding to restore cuts that had to be made in TAG awards in 1992-1993 and to meet anticipated increases in the number of eligible students. TAG awards are supplemented by Equal Opportunity Fund assistance to educationally and economically disadvantaged students and by State merit scholarships for talented students who attend college in New Jersey. The Budget also increases funding for the EOF programs, particularly those that provide on-campus support for the students, thereby helping to ensure their success. Not reflected in the Budget, but an important piece of the puzzle, are New Jersey College Loans to Assist State Students. Through financing by the Higher Education Assistance Authority, NJ CLASS loans of up to \$7,000 per year (\$35,000 maximum over five years) are available to middle-income families who had not been eligible for similar federal loans.

To provide funds for public colleges, a Tuition Stabilization Incentive Grant Program is once again recommended. As with the program in 1992-1993, public colleges and universities—both county and State—will be eligible for grants totaling \$30 million if they hold tuition increases to no more than 5 percent. This program in particular tries to strike a delicate balance between the demands made by a quality program and the costs that consumers—in this case students and their families—must pay to receive such quality. To further ensure that our institutions of higher education are among the best in the country, each is being required to review its programs and courses, to concentrate on what it does best, and to work with other, usually neighboring colleges to provide high quality, cost-effective education and research opportunities for New Jersey.

**Streamlining Government.** Like any corporation, State government is obliged to offer its citizens high quality services at the lowest possible cost. During the 1980s, however, employment in New Jersey State government grew by over 22 percent, to 71,324 employees. This was too large and too rapid an increase to be efficient. Since taking office, this administration has reduced the workforce by eight percent, or 5,600

employees. The largest share of the reduction has been achieved through tightly controlled hiring and vacancy control practices, and by offering retirement incentives to our long-term employees.

The fiscal year 1994 Budget continues to fulfill the promise of more efficient government. Two years ago, this administration initiated the passage of a law limiting the growth of State government spending. This law, commonly called the “Cap Law”, will require that the State’s workforce be reduced again, for the third straight year. We are mindful that workforce reductions can be painful and disruptive, as this year’s layoffs proved, and thus this Budget calls for reducing State employment by 4,700 employees without layoffs. The savings will be \$106 million, enabling us to stay within the 4.14 percent statutory limit on the growth of State operations. The strategies for reducing the size of State government have been developed, in large measure, by the Governor’s Management Review Commission. The Commission strongly recommended the imposition of real discipline and review in the State’s employment process, and the consolidation of a number of government-wide support services. GMRC also reinvigorated efforts to properly value the assets of the various public employee pension systems, an initiative that ultimately led to State budget savings in excess of \$1.3 billion.

Obtaining the maximum amount of federal revenue to which the State is entitled, and the proper collection of taxes duly owed the State, are two activities that have been sharpened under this Administration. A year ago, New Jersey secured federal funding for hospital charges incurred by uninsured individuals. We will collect \$477 million in fiscal year 1993, and in fiscal year 1994 we estimate reimbursements of \$441 million. The State also initiated negotiations with the federal government for retroactive Medicaid reimbursement for uncompensated care provided to individuals in public psychiatric hospitals. These dollars are anticipated at \$412 million in this Budget.

In fiscal year 1994, the State estimates \$126 million in revenue from its tax enforcement program, commonly referred to as the “Cheater-Beater II” initiative. It is \$50 million above the amount we estimate for fiscal year 1993, the initial year of the program. The \$126 million is over and above the \$25 million received under the original program. In addition, the \$20 million fiscal year anticipation associated with the proper collection of motor fuel taxes will be realized, and is now an ongoing revenue to the State.

**Property Tax Relief.** The past two Budgets mitigated or even reversed property tax increases that had plagued New Jersey residents, and this Budget continues the policy. Increased support for our schools is included in this Budget in accordance with the agreement reached with the Legislature. Aid programs to municipalities and the Homestead Rebate Program are maintained at or slightly above the levels set by the Legislature in the fiscal year 1993 Appropriations Act. Inclusive of the recommendations in the fiscal year 1994 Budget, this Administration has added \$2.5 billion to various forms of property tax relief since fiscal year 1990.

In the November elections, New Jersey voters approved a referendum item calling for the State take-over of the county expenses related to operating the court system. It is not unlike other property tax relief initiatives such as the State take-over of local social service, welfare, and institutional costs for the mentally ill and developmentally disabled. It demonstrates that our citizens continue to be concerned with controlling the cost of property taxes. The Judicial Unification Act legislation is under consideration by the State Legislature. We expect to begin implementation sometime during fiscal year 1994.

**Mandated Increases.** Unfortunately, the Governor and Legislature have few choices regarding certain programs in the Budget because they are mandated by federal law or contractual obligations. The overwhelm-

ing portion of the \$904 million increase in this Budget recommendation is for mandated costs. For example, the fiscal year 1994 Budget includes \$225 million in mandatory increases for Medicaid, and \$30 million for the operation of our correctional facilities and payments to county jails. The net increase in school aid is \$231.4 million. Funding for the employee contract and other benefits for employees, a total of \$267.4 million, is included. Costs reductions, such as the retirement incentive program mentioned earlier, are recommended as part of our plan to adhere to the spending limitations called for under the Cap Law.

In sum, this Budget positions New Jersey to take full advantage of the national recovery, and establishes our state as the best place to create permanent, high-wage jobs. Reform of our educational system, worker retraining, welfare reform, the expansion of the Transportation Trust Fund, the creation of the Economic Recovery Fund, the new Capital Investment Program, legislation for Health Care Reform, implementation of the Clean Air Act, enhanced public safety, and control of the cost of government are positive actions that demonstrate our commitment to investment in the economic basics and in New Jersey.

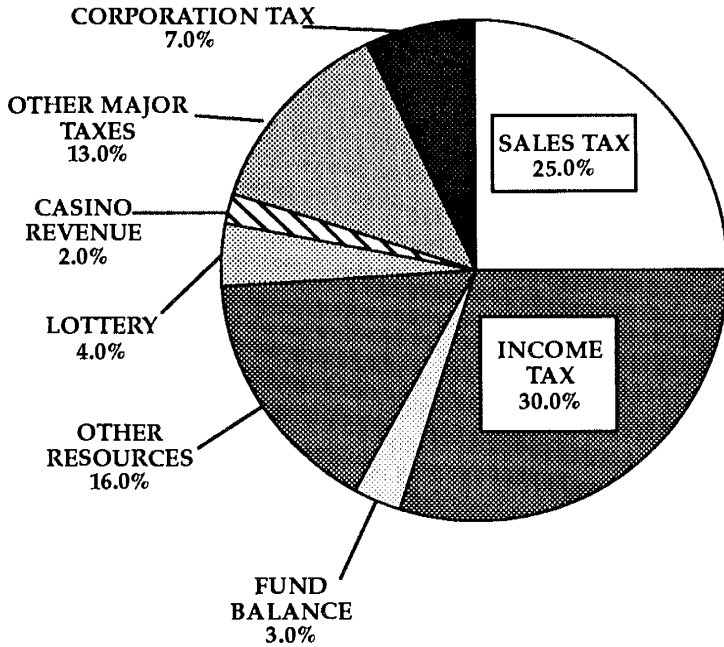
In the sections that follow, the economic outlook, our revenue projections, budget highlights, and a summary of key spending components are presented.

# NEW JERSEY BUDGET

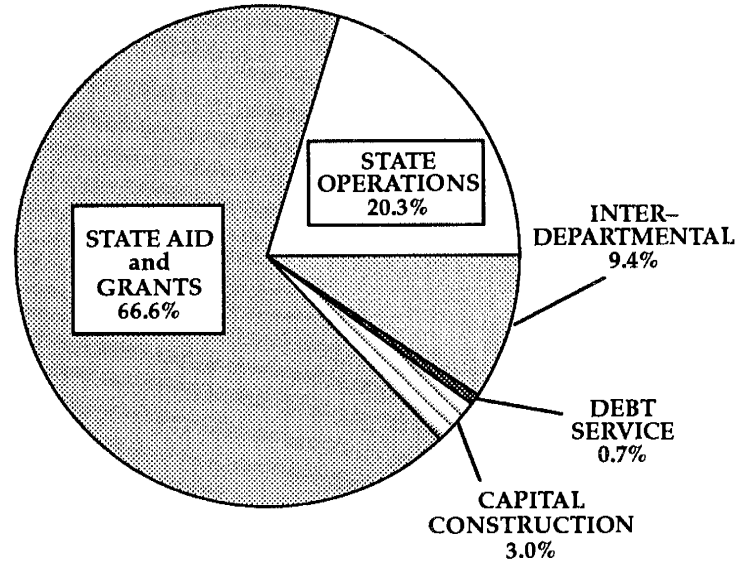
## RESOURCES AND RECOMMENDATIONS FOR FISCAL YEAR 1994

### ALL STATE FUNDS

**Resources**



**Recommendations**



**RESOURCES**  
\$15,796,319  
(\$000)

SALES TAX	\$3,956,000
INCOME TAX	4,723,000
CORPORATION and BANK TAX	1,143,000
LOTTERY REVENUE	590,000
CASINO REVENUE	288,000

**OTHER MAJOR TAXES:**

Motor Fuels	449,000
Motor Vehicles	360,000
Inheritance	248,000
Cigarette	234,000
Insurance Premiums	233,000
Petroleum Products Gross Receipts	186,000
Public Utilities	130,000
Enhanced Tax Compliance	126,000
Beverage	82,000
Realty Transfer	41,000
Savings Institutions	20,000
Business Personal Property	8,000
Racing	6,000
Tobacco Products Wholesale Sales	5,000

OTHER RESOURCES 2,510,381

SUB-TOTAL \$15,338,381

FUND BALANCE, JULY 1, 1993

General Fund	\$266,066
Surplus Revenue Fund (Rainy Day)	53,000
Property Tax Relief Fund	119,667
Casino Revenue Fund	19,205
Casino Control Fund	—
Gubernatorial Elections Fund	—

**TOTAL** \$15,796,319

**RECOMMENDATIONS**  
\$15,796,319  
(\$000)

Education	\$5,048,995
Human Services	4,073,760
Interdepartmental	1,473,348
Higher Education	1,026,271
Treasury	842,658
Community Affairs	702,727
Corrections	628,751
Transportation	555,376
Law and Public Safety	417,453
Environmental Protection	194,510
Debt Service	115,886
Judiciary	105,752
Health	101,636
Other Departments	88,479
Labor	68,266
Military and Veterans' Affairs	65,578
Public Advocate	47,853
Commerce	46,763
Legislature	45,557

SUB-TOTAL RECOMMENDATION \$15,649,619

ESTIMATED FUND BALANCE, JUNE 30, 1994

General Fund	\$50,000
Surplus Revenue Fund	103,000
Property Tax Relief Fund	—
Casino Revenue Fund	—
Casino Control Fund	—
Gubernatorial Elections Fund	(6,300)

**TOTAL** \$15,796,319

# Financial Summary of the Fiscal Year 1994 Budget

## SUMMARY ESTIMATED REVENUES, EXPENDITURES AND FUND BALANCES GENERAL STATE FUNDS (thousands of dollars)

	Fiscal Year Ending June 30	
	1993 Estimated	1994 Estimated
Beginning Balances July 1		
Undesignated Fund Balances		
General Fund	760,845	266,066
Surplus Revenue Fund	—	53,000
Property Tax Relief Fund	—	119,667
Transition School Aid Account	85,558	—
Gubernatorial Elections Fund	(9,429)	—
Casino Control Fund	(801)	—
Casino Revenue Fund	—	19,205
<i>Total Undesignated Fund Balances</i>	<u>836,173</u>	<u>457,938</u>
Anticipated Revenue		
General Fund	9,475,426	10,268,510
Property Tax Relief Fund	4,355,000	4,723,000
Gubernatorial Elections Fund	1,500	1,500
Casino Control Fund	58,172	57,371
Casino Revenue Fund	268,000	288,000
<i>Total Revenues</i>	<u>14,158,098</u>	<u>15,338,381</u>
Other Adjustments		
General Fund		
Balances lapsed	56,000	—
Prior year balances lapsed	20,000	—
Bond refinancing	235,000	—
Unemployment Compensation Fund repayment	(38,000)	—
1992 Medicaid upper payment limit adjustment	(77,000)	—
To Surplus Revenue Fund	(53,000)	(50,000)
To Gubernatorial Elections Fund	(12,500)	—
Miscellaneous	(342)	—
Surplus Revenue Fund		
From General Fund	53,000	50,000
Property Tax Relief Fund		
From Transition School Aid Account	85,558	—
Transition School Aid Account		
To Property Tax Relief Fund	(85,558)	—
Gubernatorial Elections Fund		
From General Fund	12,500	—
Balances lapsed	7,929	—
Casino Revenue Fund		
Balances lapsed	5,446	—
<i>Total Other Adjustments</i>	<u>209,033</u>	<u>—</u>
<i>Total Available</i>	<u>15,203,304</u>	<u>15,796,319</u>
Appropriations		
General Fund	10,100,363	10,434,576
Property Tax Relief Fund	4,320,891	4,842,667
Gubernatorial Elections Fund	12,500	7,800
Casino Control Fund	57,371	57,371
Casino Revenue Fund	254,241	307,205
<i>Total Appropriations</i>	<u>14,745,366</u>	<u>15,649,619</u>
Ending Balances June 30		
Undesignated Fund Balances		
General Fund	266,066	50,000
Surplus Revenue Fund	53,000	103,000
Property Tax Relief Fund	119,667	—
Gubernatorial Elections Fund	—	(6,300)
Casino Revenue Fund	19,205	—
<i>Total Undesignated Fund Balances</i>	<u>457,938</u>	<u>146,700</u>

# Financial Summary of the Fiscal Year 1994 Budget

## SUMMARY OF FISCAL YEAR 1993-1994 APPROPRIATION RECOMMENDATIONS (thousands of dollars)

	Fiscal Year 1993 Adjusted Appropriations	Fiscal Year 1994 Recommendations	Change	
			Dollar	Percent
<b>GENERAL FUND AND PROPERTY TAX RELIEF FUND</b>				
State Aid and Grants	\$ 9,428,176	\$10,131,484	\$ 703,308	7.5%
State Operations				
Executive Departments	\$ 2,909,364	\$ 2,941,737	\$ 32,373	1.1%
Legislature	45,661	45,557	-104	-0.2%
Judiciary	98,004	102,731	4,727	4.8%
Interdepartmental	1,340,718	1,473,348	132,630	9.9%
<i>Total State Operations</i>	<u>\$ 4,393,747</u>	<u>\$ 4,563,373</u>	<u>\$ 169,626</u>	<u>3.9%</u>
Capital Construction	155,000	466,500	311,500	201.0%
Debt Service	444,331	115,886	-328,445	-73.9%
<b>TOTAL GENERAL FUND AND PROPERTY TAX RELIEF FUND</b>	<u>\$ 14,421,254</u>	<u>\$15,277,243</u>	<u>\$ 855,989</u>	<u>5.9%</u>
CASINO REVENUE FUND	254,241	307,205	52,964	20.8%
CASINO CONTROL FUND	57,371	57,371	—	0.0%
GUBERNATORIAL ELECTION FUND	12,500	7,800	-4,700	-37.6%
<b>GRAND TOTAL STATE APPROPRIATIONS</b>	<u>\$ 14,745,366</u>	<u>\$15,649,619</u>	<u>\$ 904,253</u>	<u>6.1%</u>

## SUMMARY OF FISCAL YEAR 1993-94 APPROPRIATION RECOMMENDATIONS BY FUNDS (thousands of dollars)

Year Ending June 30, 1992					Year Ending June 30, 1994			
Orig. & (S)Supple- mental	Reapp. & (R)Recpts.	Transfers & (E)Emer- gencies	Total Available	Expended	1993 Adjusted Approp.	Requested	Recom- mended	
4,539,160	287,418	20,108	4,846,686	4,693,259				
2,469,751	97,269	-13,714	2,553,306	2,523,654				
2,455,852	44,124	4,162	2,504,138	2,443,409				
354,862	66,132	360	421,354	357,445				
410,617	—	—	410,617	402,670				
<u>10,230,242</u>	<u>494,943</u>	<u>10,916</u>	<u>10,736,101</u>	<u>10,420,437</u>				
4,291,017	2,177	—	4,293,194	4,286,822				
57,371	—	—	57,371	56,431				
377,081	5,551	1	382,633	379,836				
<u>14,955,711</u>	<u>502,671</u>	<u>10,917</u>	<u>15,469,299</u>	<u>15,143,526</u>				
					<b>General Fund</b>			
					Direct State Services	4,393,747	4,862,158	4,563,373
					Grants-in-Aid	2,863,458	3,402,214	3,281,210
					State Aid	2,243,827	2,129,537	2,007,607
					Capital Construction	155,000	771,441	466,500
					Debt Service	444,331	449,361	115,886
					<u>Total General Fund</u>	<u>10,100,363</u>	<u>11,614,711</u>	<u>10,434,576</u>
					Property Tax Relief Fund	4,320,891	4,928,771	4,842,667
					Casino Control Fund	57,371	57,371	57,371
					Casino Revenue Fund	254,241	307,205	307,205
					Gubernatorial Elections Fund	12,500	7,800	7,800
					<u>GRAND TOTAL STATE APPROPRIATIONS</u>	<u>14,745,366</u>	<u>16,915,858</u>	<u>15,649,619</u>

## **THE ECONOMY**

Long-term economic forces and cyclical indicators shaped assessments about the New Jersey economy throughout 1992. In terms of cyclical performance, a broad range of indicators show that the economy turned around in 1992 after three years of declining or near-recessionary activity. However, concerns persist regarding the viability of a sustained economic recovery because of structural limitations associated with the national debt and deficit, recessionary conditions in key international markets, under-investment in plant, equipment, research, and development, increasing health care costs, and the ever-widening skills gap—where worker skills are not readily matched with potential employment opportunities associated with emerging demands.

The recovery of 1992 was uneven. It began with steady, albeit modest, economic growth. The economy stalled in mid-year, again falling prey to low consumer confidence. Business performance rebounded again in the fourth quarter, and in the months of October and November it became clear that key indicators, including retail sales, factory orders, industrial production, and most importantly, consumer confidence, were on a positive swing. On a national basis, employment indices showed some improvement, and other important cyclical indicators, like the gross domestic product, personal income, retail sales, housing starts, and auto sales increased when compared with 1991 levels.

The New Jersey economy followed the national pattern. Growth in personal income, retail sales, auto sales, and housing starts all showed strong increases in the first quarter of 1992, slowed by mid-year, but rebounded in the fourth quarter. Auto sales approximated 1991 levels after six years of negative performance. It is important to note that overall employment statistics covering 1990 and 1991 were revised downward, showing the true impact of the recession. Further, employment continued its decline in the first half of 1992, but rebounded in October, the first gain in a year. The rebound in the latter half of 1992 is reflected in State revenues that are generated from economically sensitive taxes. In sum, last year's forecast anticipating a stabilizing economy during 1992 appears to have been on target, but it occurred later in the year than expected, and did not achieve the growth levels anticipated.

### **Economic Forecast**

For 1993 and early 1994, the relationship between long-term, structural forces and economic growth continues to be a primary concern. This relationship is

reflected in a number of ways. For example, an economic expansion should result in an increase in employment. However, even though the recession has been over for a considerable period of time, the employment base has not expanded appreciably due to the down-sizing of major employers, like IBM and General Motors, who are striving to improve their competitiveness. Continued restructuring of traditional manufacturing-based enterprises may offset some of the job growth in expanding companies. But the most recent data indicate that the rate of economic growth is reaching the level required to create a number of permanent new jobs.

Furthermore, a true economic expansion would include private investment in plant and equipment, and a willingness to increase inventory. Primarily because of the federal deficit, it is not known whether businesses will have access to investment capital, or if executives will be willing to increase corporate debt.

Finally, the protracted nature of the last recession was related to consumer confidence and may be characterized as "demand-based." During the past three years consumer confidence ratings dropped at critical economic junctures, reducing demand and stifling growth. The current economic recovery might be characterized as modest because consumers remain cautious. Consumer concerns are linked to long-term structural issues including the federal deficit and health care. Consumer acceptance of national economic, fiscal, and budgetary policies is a key factor in influencing the long-term outlook for the economy.

The forecast for 1993 and early 1994 is based on the following assumptions:

- the economy's halting recovery of 1992 has taken hold;
- employment levels are starting to improve and will generate increased consumer demand;
- business investment will be spurred by continued low interest rates, national investment tax credits, and a noticeably improving economy;
- national and State programs for accelerating investment in infrastructure will increase in 1993 with positive effects on employment and income levels;

## Economic Forecast and Revenue Projections

- national initiatives to redress health care costs, promote worker skill development, and encourage investment in research and development will get on track; and
- these actions will serve to brighten consumer outlook and confidence.

It is important to emphasize that the most important factor affecting New Jersey' economy is the long-term national economic problems that must be resolved at the federal level. It is anticipated that some of the proposals currently being formulated at the national level will address the long-term issues and provide the necessary foundation for a sustained recovery in New Jersey.

These assumptions translate into a forecast for calendar 1993 of steady but modest national growth. New Jersey will continue to track the improvement in the national economy but will probably under-perform it slightly. Overall levels of activity measured by New Jersey housing starts and auto registrations are expected to recover to 1989-1990 levels but still be well below the peak that was achieved during the last decade. Employment levels will reverse their 43-month decline with

annual average employment rising by 45,500 jobs per year to about 95 percent of the 1989 level. The result will be an increase in collections of economically sensitive taxes.

The accompanying tables display trends in key economic categories: sales, housing starts, employment levels, automobile registrations, and income patterns. Based on actual information for most of calendar 1992, improved economic performance is indicated. In calendar 1992, sales of durable goods and total sales show increases when compared to 1991, but they will not reach the level estimated in last year's budget. However, housing starts during calendar 1992 exceeded our expectation by 4,500 units.

Employment levels declined in 1992 beyond the level projected a year ago, but the rate of job loss did abate. The latest information on employment shows growth, owing to the general improvement in the economy and the substantial public investment in private sector job creation initiatives. Income patterns show continued improvement, lending credence to reports of improved consumer confidence, a marked change from one year ago.

### NEW JERSEY CONSUMER DEMAND PATTERNS CALENDAR 1982 - 1994 (DURABLE GOODS SALES AND TOTAL SALES)

(\$ in billions)

	DURABLE GOODS	ANNUAL PERCENT CHANGE	TOTAL SALES	ANNUAL PERCENT CHANGE
1982	\$11.82		\$35.59	
1983	13.16	11.3%	40.43	13.6%
1984	15.10	14.8	44.35	9.7
1985	17.54	16.2	48.19	8.7
1986	20.86	18.9	52.47	8.9
1987	23.05	10.5	57.44	9.5
1988	24.78	7.5	62.76	9.3
1989	24.76	-0.1	64.30	2.5
1990	25.36	2.4	65.98	2.6
1991	24.35	-4.0	65.18	-1.2
1992 *	24.74	1.6	67.53	3.6
1993 Projected	26.72	8.0	70.90	5.0
1994 Forecast	29.03	8.6	75.30	6.2

\*Based on year-to-date actuals.

Source: New Jersey Division of Taxation.



## Economic Forecast and Revenue Projections

### NEW JERSEY EMPLOYMENT PATTERNS CALENDAR 1980 - 1994 (000's)

	EMPLOYMENT LEVELS	ANNUAL PERCENT CHANGE
1980	3,060	
1981	3,099	1.3%
1982	3,093	-0.2
1983	3,165	2.3
1984	3,329	5.2
1985	3,414	2.6
1986	3,488	2.2
1987	3,576	2.5
1988	3,651	2.1
1989	3,690	1.1
1990	3,642	-1.3
1991	3,493	-4.1
1992 *	3,404	-2.5
1993 Projected	3,425	0.6
1994 Forecast	3,495	2.0

\*Based on year-to-date actuals.

Source: New Jersey Division of Taxation.

### NEW JERSEY HOUSING STARTS CALENDAR 1980 - 1994

	UNITS	ANNUAL PERCENT CHANGE
1980	21,990	
1981	19,370	-11.9%
1982	19,980	3.1
1983	33,310	66.7
1984	42,860	28.7
1985	56,250	31.2
1986	61,400	9.2
1987	50,890	-17.1
1988	41,310	-18.8
1989	30,210	-26.9
1990	19,040	-37.0
1991	14,410	-24.3
1992 *	22,730	57.7
1993 Projected	28,430	25.1
1994 Forecast	30,140	6.0

\*Based on year-to-date actuals.

Source: New Jersey Division of Taxation.

### NEW JERSEY PERSONAL INCOME PATTERNS CALENDAR 1980 - 1994 (\$ in billions)

	TOTAL PERSONAL INCOME	ANNUAL PERCENT CHANGE
1980	\$ 85.4	
1981	96.0	12.4%
1982	103.8	8.1
1983	112.5	8.4
1984	123.6	9.9
1985	133.3	7.9
1986	145.8	9.3
1987	157.3	7.9
1988	172.6	9.7
1989	184.0	6.6
1990	194.6	5.8
1991	199.2	2.4
1992 *	207.8	4.3
1993 Projected	219.2	5.5
1994 Forecast	234.4	6.9

\*Based on year-to-date actuals.

Source: New Jersey Division of Taxation.

### NEW AUTOMOBILE REGISTRATIONS CALENDAR 1980 - 1994

	NEW AUTO REGISTRATIONS	ANNUAL PERCENT CHANGE
1980	364,190	
1981	317,830	-12.7%
1982	325,880	2.5
1983	349,260	7.2
1984	433,050	24.0
1985	456,580	5.4
1986	551,160	20.7
1987	494,290	-10.3
1988	463,830	-6.2
1989	416,280	-10.3
1990	372,560	-10.5
1991	332,370	-10.8
1992 *	316,680	-4.7
1993 Projected	362,740	14.5
1994 Forecast	400,390	10.4

\*Based on year-to-date actuals.

Source: New Jersey Division of Taxation.

# Economic Forecast and Revenue Projections

## REVENUE FORECAST

Revenue for fiscal year 1994 is estimated at \$15.34 billion, an increase of \$1.18 billion or 8.3 percent above the revised fiscal year 1993 estimate. When combined with the opening balance of \$458 million, including \$53 million in the Rainy Day Fund, available resources will total \$15.8 billion.

### Revisions to Fiscal Year 1993 Anticipated Revenue

Overall, fiscal year 1993 revenue estimates for all taxes, fees and other revenue have been revised upward by \$224 million, or 1.6 percent, from \$13.93 billion to \$14.16 billion. These amounts are exclusive of the July 1, 1992, opening balance that included savings from the pension revaluation and the school aid transition account. Total annual revenues generated from the three major taxes – sales, personal income, and corporation– have been revised upward by \$120 million, to \$9.0 billion, an increase of 1.4 percent. The changes reflect improvements in consumer confidence, hours worked, and other cyclical factors. And, in the case of the personal income tax, the increase appears to result from an acceleration of income into 1992 as a hedge against anticipated federal income tax changes for upper-income households.

### Fiscal Year 1994 Revenue Projections

For fiscal year 1994, the yield from all three major taxes is projected to increase, while other revenues are generally expected to remain stable.

The sales tax revenues are projected to increase by 8.5 percent above the revised fiscal year 1993 anticipation of \$3.65 billion, to \$3.96 billion. As the following tables indicate, the adjusted rate of change in the sales tax

tracks with aggregate changes in total sales. The fiscal year 1994 tax estimate is predicated on continued improvement in sales, particularly in durable goods, and represents the middle range for sales tax growth.

The improvement in durable goods sales is related, in part, to the increase in housing starts in calendar 1992, compared to 1991 levels. This exceeded original 1992 estimates largely because of favorable interest rates that are expected to continue. Also, a surge in durable goods sales is expected due to housing repairs in the aftermath of the damage caused by rain and flooding in early December 1992. Automobile sales, which have been disappointing for a protracted period, are also expected to increase, given the average age of cars and an improved employment outlook.

The personal income tax is projected to increase 8.5 percent above the revised fiscal year 1993 level, representing \$368 million in additional revenues, to \$4.72 billion. The progressive nature of the income tax, an increase in hours worked, and an improvement in aggregate employment combine for the estimate. As mentioned above, aggregate employment levels were revised downward to reflect job losses during 1990 and 1991. Job loss during calendar 1992 abated, and the state is now witnessing growth in employment levels. Continued public investment in infrastructure, buoyed by the Economic Development Fund and the Capital Investment Program, will continue an expansion in private sector construction jobs.

Revenues from the corporation tax are expected to increase by 10.0 percent, or \$100 million, to \$1.1 billion. Carry-forward losses will continue to suppress actual corporate taxes realized, but net corporate tax liability is increasing, mirroring improved business conditions and corporate profits.

**REVENUE PROJECTIONS FOR FISCAL YEAR 1993 – 1994  
THREE MAJOR TAXES  
(\$ in millions)**

	<b>ORIGINAL FISCAL YEAR 1993</b>	<b>REVISED FISCAL YEAR 1993</b>	<b>FISCAL YEAR 1994</b>	<b>DOLLAR CHANGE</b>	<b>PERCENT CHANGE</b>
Sales	\$3,647	\$3,647	\$3,956	\$309	8.5%
Income	4,250	4,355	4,723	368	8.5
Corporation	985	1,000	1,100	100	10.0

# *Economic Forecast and Revenue Projections*

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Two other significant revenue sources are expected to decline. Public Utility Gross Receipts and Franchise Tax collections will decline by \$65 million in accordance with the collection date changes that were legislated in 1991.

Ongoing Medicaid Disproportionate Share Hospital payments are expected to decline by \$36 million due to the effect that the 1992 Health Care Reform Act will have on overall charity care provided in community hospitals. But, the State anticipates a large federal retroactive reimbursement of \$412 million for State psychiatric hospital uncompensated care costs. A more detailed discussion of disproportionate share payments follows.

## **Federal Disproportionate Share Hospital Reimbursement**

**Ongoing Revenues.** The Medicaid program, Title XIX of the Social Security Act, provides medical assistance to certain individuals with limited income and resources. New Jersey and the federal government share the cost equally. Basic tenets underlying the program are that medical services meet the general requirements of the population being served, and comply with quality safeguards and with applicable federal and State laws.

The federal Omnibus Budget Reconciliation Act of 1987 and subsequent amendments established requirements for additional Medicaid payments to hospitals whose patient populations are disproportionately composed of individuals who are either Medicaid eligible or have no source of health insurance for such services. In effect, the law provides for potential reimbursement of uncompensated care.

Through calendar 1992 New Jersey provided funding for hospital services to those individuals not eligible for Medicaid, who often had only partial or no health care insurance coverage, through the pooling arrangement of the Health Care Trust Fund. Beginning in calendar 1993, however, the newly created Health Care Subsidy Fund will be the funding mechanism for those hospital services. This new Fund, which eliminated the 19.1 percent surcharge on hospital bills, is supported by shifting employee and employer contributions from the Unemployment Trust Fund. The Health Care Subsidy Fund will continue to reimburse certain hospitals that serve a disproportionately large share of individuals who cannot afford to pay their hospital bills. Thus, it also continues to qualify acute care hospital uncompensated care costs as eligible for federal reimbursement. Certain provisions of the Health Care Reform Act of

1992, such as the reform of individual and small business health insurance, will reduce the uncompensated care costs of the State. This is reflected in reduced federal funds for Medicaid and other programs. The fiscal year 1994 Budget anticipates \$262.5 million in federal reimbursement.

In 1993, the State will also begin to claim federal reimbursement for the State costs associated with operating the University of Medicine and Dentistry of New Jersey (UMDNJ). The State appropriation represents the costs of operating this acute care facility which are not reimbursed by any other source. The fiscal year 1994 anticipation includes another \$15 million in federal reimbursement for the UMDNJ facility.

In addition to reimbursement for uncompensated care in New Jersey's acute care hospitals, federal Title XIX reimbursement is also available for services provided by State and county psychiatric hospitals to individuals not eligible for Medicaid and not having health care insurance coverage. Costs of operating these facilities that are not reimbursed by any payor, such as Medicaid, Medicare, or private insurance, are considered uncompensated care. As with acute care hospitals, this type of payment qualifies for partial federal reimbursement. The fiscal year 1994 Budget anticipates \$163.3 million in federal reimbursement for uncompensated care in our State and County psychiatric hospitals.

**Retroactive Claim.** Along with federal reimbursement for current year psychiatric hospital uncompensated care costs, the State has secured reimbursement for these costs for the period July 1988 through December 1991. After a protracted period of discussions with the federal financing agency involving further clarification of the claim, it was determined that New Jersey was entitled to reimbursement. The fiscal year 1994 revenue estimates have therefore been adjusted to include an additional \$412 million in Title XIX federal reimbursement.

## **Enhanced Tax Enforcement**

During fiscal year 1993, the State expanded its tax enforcement program with the "Cheater-Beater II" program. The program is designed to obtain corporate and individual taxes duly owed the State. A \$76 million anticipation, as revised, was established for fiscal year 1993. This target is over and above the \$25 million amount collected in the prior year under the "Cheater-Beater I" effort. It is expected that the anticipated level will increase by \$50 million in fiscal year 1994. Another enforcement program involving the proper collection of motor fuel distribution taxes began in fiscal year 1993.

# Economic Forecast and Revenue Projections

The fiscal year 1993 Budget anticipation of \$20 million is expected to be achieved. For fiscal year 1994, the benefits will again be realized, and they are now part of the total Motor Fuels tax anticipation.

## Surplus Revenue Fund (Rainy Day Fund)

The Surplus Revenue Fund Act (P.L. 1990, c. 44) requires that the Governor include in his annual budget to the Legislature an estimate of the credit to be made to the Surplus Revenue Fund. The amount estimated by the Governor for this purpose shall not be less than 50 percent of the difference between the amount certified

by him as anticipated General Fund revenue upon approval of the Fiscal Year 1993 Appropriations Act and the revised amount of General Fund revenue for fiscal year 1993 anticipated in the fiscal year 1994 Budget. General Fund revenue has been revised upward by \$106 million. Consequently, 50 percent of the difference, \$53 million, is the credit to the Surplus Revenue Fund.

In addition to this amount, as a result of the restructuring of the State's long-term debt, there will be additional payments of \$50 million in both fiscal years 1994 and 1995 into the Surplus Revenue Fund.

## ANTICIPATED REVENUES (\$ in millions)

	<u>Estimated FY 1993</u>	<u>Estimated FY 1994</u>
<b>Major Taxes:</b>		
Income Tax .....	4,355.0	4,723.0
Sales Tax .....	3,647.0	3,956.0
Corporation Tax .....	1,000.0	1,100.0
<b>Other Major Taxes &amp; Fees:</b>		
Motor Fuels .....	425.0	440.0
Motor Vehicle Fees .....	360.0	360.0
Transfer Inheritance .....	252.0	248.0
Cigarette .....	248.0	234.0
Insurance Premium .....	213.0	233.0
Petroleum Products Gross Receipts .....	180.0	186.0
Public Utility Excise .....	185.0	130.0
Enhanced Tax Compliance Effort .....	76.0	126.0
Alcoholic Beverage Excise .....	85.0	82.0
Banks/Financial Institutions .....	35.0	43.0
Realty Transfer .....	36.0	41.0
Savings Institutions .....	18.0	20.0
Motor Fuel Use .....	9.0	9.0
Business Personal Property .....	12.0	8.0
Pari-mutuel .....	6.0	6.0
Tobacco Products - Wholesale .....	5.0	5.0
<b>Miscellaneous Taxes &amp; Fees:</b>		
Public Utility Gross Receipts and Franchise Tax .....	733.0	723.0
Medicaid/Uncompensated Care - Ongoing .....	477.0	440.9
Medicaid/Uncompensated Care - Retroactive .....	—	412.0
Inter-Departmental Accounts .....	230.0	234.0
Human Services .....	66.4	71.7
All Other Miscellaneous .....	403.3	370.7
<b>Interfund Revenues:</b>		
State Lottery Fund .....	585.0	590.0
All Other Interfund .....	188.7	199.2
Casino Revenue Fund .....	268.0	288.0
Casino Control Fund .....	58.2	57.4
Gubernatorial Election Fund .....	1.5	1.5
<b>Total Revenue .....</b>	<b>\$14,158.1</b>	<b>\$15,338.4</b>

## Economic Forecast and Revenue Projections

### ADJUSTED RATE OF CHANGE IN THE THREE MAJOR TAXES FISCAL 1981 – 1994\*

	Sales	Income	Corporation**
1981	7.4%	14.2%	
1982	8.5	13.8	0.3%
1983	10.3	9.0	-1.9
1984	15.3	12.8	22.4
1985	14.5	11.7	19.8
1986	11.9	12.9	12.0
1987	11.6	12.4	-0.6
1988	8.0	10.2	9.4
1989	0.6	13.5	12.5
1990	1.5	1.9	-11.1
1991	-8.0	4.7	-10.1
1992	0.6	1.2	-1.6
1993 Revised	5.4	6.2	9.8
1994 Projected	8.5	8.5	10.0

\*Percentage change based on collections adjusted for rate, base, or one-time collection changes to permit comparison to the prior year's base.

\*\*Net tax liability.

Source: New Jersey Division of Taxation

# Highlights of Appropriations

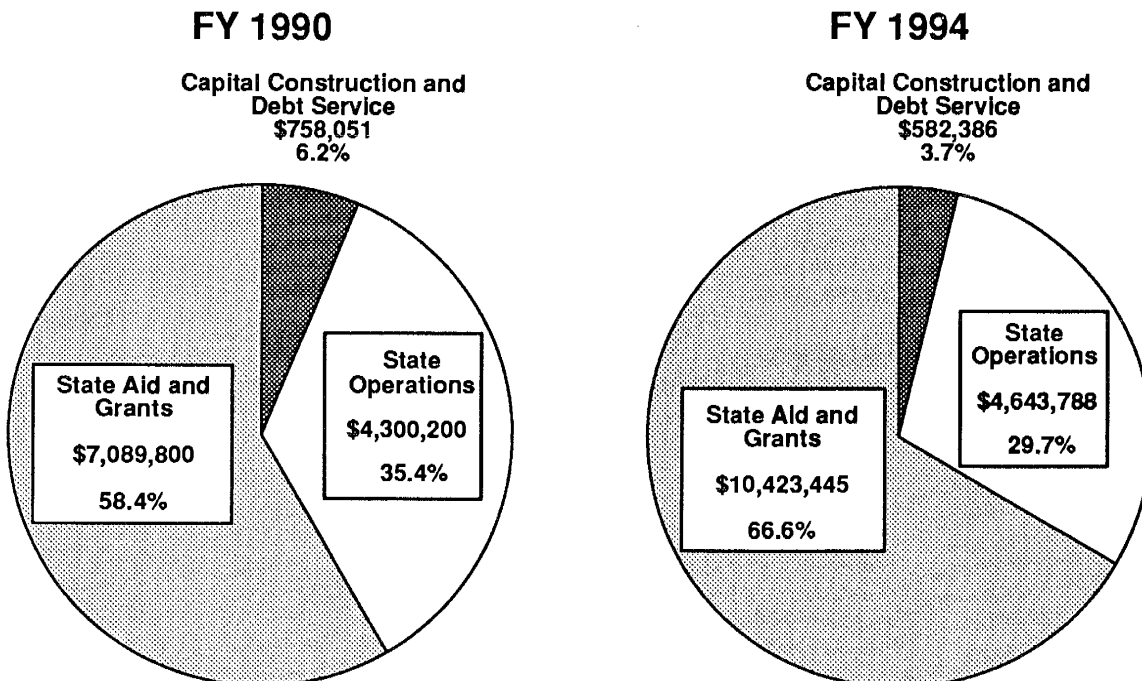
## MAJOR HIGHLIGHTS

The total fiscal year 1994 recommended Budget, exclusive of federal aid, is \$15.65 billion, a \$904.3 million increase, or 6.1 percent, over the current appropriation. This Budget continues the restraint on spending for State Operations, due to the effect of the Cap Law and other efforts to reduce the size of State government. Growth in State Operations is almost exclusively related to the criminal justice system. As a portion of the budget, State Operations now represents 29.7 percent, down from 35.4 percent in fiscal year 1990. The relative portion of the budget for Grants-in-Aid is rising, owing largely to health care inflation as it affects the Medicaid program and the Pharmaceutical Assistance program, and increases in

human services community programs which offer, among their benefits, alternatives to institutional care. School aid remains as an ongoing priority of the Budget, and represents most of the growth in State Aid. A funding increase for various welfare programs is also necessary to meet caseload growth. Grants and State Aid comprise 66.6 percent of the fiscal year 1994 Budget, as compared with 58.4 percent in 1990. Debt Service payments are reduced due to a restructuring of the State's long-term debt. The Capital Budget recommendation is increased, as savings from the debt restructuring are directed to infrastructure needs. These two categories represent 3.7 percent of the Budget.

## ALLOCATION OF APPROPRIATIONS All Funds (\$000)

	FY 1990		FY 1994	
	\$	%	\$	%
State Aid and Grants	7,089,800	58.4	10,423,445	66.6
State Operations (DSS)	4,300,200	35.4	4,643,788	29.7
Capital and Debt Service	758,051	6.2	582,386	3.7



# Highlights of Appropriations

**DEPARTMENT OPERATING BUDGETS  
FISCAL YEAR 1993 ADJUSTED APPROPRIATION  
COMPARED TO FISCAL YEAR 1994 RECOMMENDATION  
DIRECT STATE SERVICES (ALL FUNDS)  
(\$ in Thousands)**

DEPARTMENT/AGENCY	FY 1993 Adjusted Appropriation	FY 1994 Recommendation	Difference	% Difference
<b>EXECUTIVE AGENCIES:</b>				
Governor's Office	4,992	4,992	0	0.0%
Agriculture	7,390	7,690	300	4.1%
Banking	6,000	6,000	0	0.0%
Commerce	17,648	19,062	1,414	8.0%
Community Affairs	24,803	26,097	1,294	5.2%
Corrections and Parole	513,362	526,704	13,342	2.6%
Education	35,904	39,063	3,159	8.8%
Environmental Protection & Energy	161,189	161,585	396	0.2%
Health	36,296	38,170	1,874	5.2%
Higher Education	672,212	671,312	(900)	-0.1%
Human Services	624,801	626,362	1,561	0.2%
Insurance	13,797	13,797	0	0.0%
Labor	52,467	52,070	(397)	-0.8%
Law and Public Safety	382,934	386,791	3,857	1.0%
Military & Veterans Affairs	51,743	55,079	3,336	6.4%
Personnel	30,851	31,151	300	1.0%
Public Advocate	47,853	47,853	0	0.0%
State	10,944	10,944	0	0.0%
Transportation	101,439	101,439	0	0.0%
Treasury	196,156	194,916	(1,240)	-0.6%
Misc. Exec. Commissions	975	1,075	100	10.3%
Subtotal Executive Agencies	2,993,756	3,022,152	28,396	0.9%
Interdepartmental Accounts	1,340,718	1,473,348	132,630	9.9%
LEGISLATURE	45,661	45,557	(104)	-0.2%
JUDICIARY	98,004	102,731	4,727	4.8%
<b>Total State Operations</b>	<b>4,478,139</b>	<b>4,643,788</b>	<b>165,649</b>	<b>3.7%</b>

**MAJOR GRANT AND STATE AID INCREASES:**

Aid to local school districts (net)	231.4 million
Medicaid program (General Fund and Casino Revenue Fund)	225.0 million
Hospital Health Care Subsidy	81.6 million
Tuition Stabilization Incentive Grant	30.0 million
Economic Assistance caseload increase	27.6 million
Pharmaceutical Assistance to the Aged and Disabled (General Fund and Casino Revenue Fund)	25.5 million
Inmates incarcerated in county penal facilities	17.0 million
Tuition Aid Grants	16.5 million
Developmentally Disabled community programs	16.3 million
Police /Community Partnership Program	15.0 million
Youth and Family Services community programs	11.1 million
Mental Health community programs	10.1 million

## Education and Higher Education

School aid is recommended to increase by \$231.4 million. Of this amount, Foundation Aid will grow by \$167.7 million, with the 30 urban special needs districts receiving \$115 million. The formula aid recommendations, \$4.7 billion in total, reflect the agreement reached between the Governor and the Legislature in adopting the Public School Reform Act of 1992 (Assembly Bill 3). Pension and Social Security costs will increase by \$74.5 million. Nonpublic Aid is recommended to increase \$3.7 million, or 5.6 percent—the same percentage increase as formula aid to public schools.

In addition, through the refinancing of the State's long-term debt at lower interest rates, \$155 million will be made available to local districts for school construction and renovation projects. Of this amount, \$50 million will provide construction grants to special needs districts, and a \$105 million matching-loan program is available for other school construction projects.

The Budget also reestablishes a full-scale monitoring program with an increase of \$1 million, as the Department of Education introduces revised, upgraded standards for the certification of public schools. An increase of \$2.2 million has been added to administer the new 11th grade High School Proficiency Test, which students will be required to pass in order to receive a New Jersey diploma. The GoodStarts program for preschool children will be expanded by \$1.5 million in fiscal year 1994, and a new Youth Apprenticeship program will be introduced to strengthen the link between book learning and occupational training at \$4.5 million. Also included is a \$1 million recommendation to reform math and science curricula.

A Tuition Stabilization Incentive Grant program is recommended for State higher education institutions and county colleges. This \$30 million program is designed to keep tuition increases to five percent, thereby making college education more affordable for students and their families. For the state's independent colleges and universities, a \$1 million aid increase is recommended, bringing the total to \$21.1 million.

In addition, \$121.3 million is recommended for Tuition Aid Grants, an increase of \$16.5 million above the fiscal year 1993 appropriation. The recommendation will provide 6,000 additional awards, for a total of 58,000

students being served, and will restore cuts in individual awards that were made in 1992–1993 to enable the program to stay within its budget. Since 1990, when \$61.3 million was appropriated, TAG has doubled as funding kept pace with increasing numbers of students and the rising cost of college. The Equal Opportunity Fund program will receive an overall increase of \$3.5 million, for a total budget of \$29.6 million. Of the increased amount, \$2.7 million will provide additional support services for EOF students on their campuses to ensure their success. The remainder will provide approximately 800 additional undergraduate grants to students who are educationally and economically disadvantaged and who come from the state's urban areas.

## Health and Human Services

The Medicaid program is estimated to increase by \$307 million inclusive of the General Fund and the Casino Revenue Fund. Nursing home costs are expected to increase by \$59 million to meet the cost of inflation and an increase in available beds. Hospital inpatient costs will increase by \$20 million, while outpatient hospital costs are projected to grow by \$48 million. Prescription drug expenditures will increase by \$19 million. Physician and other costs will grow by \$79 million.

The Medicaid recommendation also includes a new initiative of \$81.6 million for payments to hospitals that provide services to a disproportionate number of uninsured individuals. The Hospital Health Care Subsidy is designed to ensure the financial viability of hospitals in those areas where there is a dearth of health care service providers outside of the hospital setting. In addition, the PAAD program will increase by \$26 million.

In addition, the Budget recommends a series of programs offered through the Department of Health to redress urban health care problems. These programs include services provided to victims of AIDS; drug and alcohol treatment; childhood immunization; family planning; and TB services. Combined, a total of \$38.4 million is recommended to address these issues. This represents increased funding of \$13.5 million. Included in this increase is a \$1 million recommendation to create a Preventive Health Program for Uninsured Children. This program will ensure that children receive primary care outside the hospital emergency room and before they require more intensive hospitalization.



# *Highlights of Appropriations*

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The Department of Health will also receive a modest increase of \$1 million to avoid a shortage of critical staff in the State Laboratory, as well as provide for necessary materials, supplies and equipment. A portion of the increase is necessary to meet an emerging crisis concerning the spread of drug-resistant tuberculosis in the State.

Community programs within the Department of Human Services are recommended to increase by \$38.1 million. The increases provide funding for the deferred cost of inflation, and planned expansions that are necessary to reduce institutional populations. This includes an increase of \$2 million for family support services provided through the Division of Developmental Disabilities. In addition, a funding increase of \$6.9 million is recommended for county psychiatric hospitals related to projected rate increases.

A \$9.5 million increase is recommended for the full implementation of the Family Development Program (FDP), significantly expanding education, training, and employment opportunities for recipients of both AFDC and General Assistance. Federal waivers have been approved and FDP implementation has begun.

The Department of Military and Veterans' Affairs is recommended to increase by \$3.1 million in order to provide necessary staffing at the three nursing homes, and allow the homes to accept veterans awaiting placement.

## **Public Safety and Criminal Justice**

Funding increases of \$4.7 million are recommended for the Judiciary. The increase is necessary to support additional judicial appointments. With this recommendation the Judiciary budget will support 411 judges. A portion of the budget increase will also be used to support the existing complement of staff.

The Law and Public Safety recommendation includes \$15 million for the Police/Community Partnership Program, a comprehensive and integrated approach to making New Jersey's streets and communities safer. This new State Aid program will provide funding for the removal of violent offenders from the streets, community-oriented policing programs, development of safe haven/community centers, and neighborhood revitalization through economic development activities.

The recommendation also includes \$2.4 million for the costs of salaries and other costs for an additional 92 State Troopers, recent graduates of the 113th State Police Recruit class. And, \$2.8 million is recommended for the training and salaries of the 114th Recruit class which is projected to graduate in the spring of 1994.

The Department of Corrections will expand bedspace capacity at two State prisons at an operating cost of \$9.7 million. Edna Mahan Correctional Facility for Women will add 264 beds, and the Garden State Reception and Youth Correctional Facility will add a new 196 bed unit. The increases are necessary to redress overcrowding in county jails that are holding State inmates. State prison capacity will reach 19,000 as a result of these recommendations.

An additional \$17.0 million is recommended to fund an increase in the rate the State pays to house inmates in county jails. It is the first increase in eight years.

## **Community Affairs**

An increase of \$450,000 is recommended for the Division on Women to expand the Division's abilities to confront and promote solutions to societal problems facing women. The increased funding will also support the newly established Office on the Prevention of Violence Against Women, which will lead the effort to combat spousal abuse and other forms of violence to which women fall victim.

A \$5 million increase is recommended for the Neighborhood Preservation—Fair Housing Program within the Department of Community Affairs. The increase is necessary to comply with P.L. 1992, c. 148, which stipulates that Realty Transfer Tax receipts are dedicated to subsidized housing development.

## **Science and Technology**

\$300,000 is recommended to create the New Jersey Corporation for Advanced Technology (NJCAT) which will transform environmental research and development investment into jobs for New Jersey. NJCAT will link academic research and industrial bases, similar to that of Japan and Western Europe, to maximize New Jersey's resources and target them in the marketplace.

## **Motor Vehicle Services**

A recommendation of \$4.1 million will support overtime costs that will allow the State's Motor Vehicle Offices and Inspection Centers to provide full services to drivers during the course of the fiscal year.

# Highlights of Appropriations

## Agriculture

An increase of \$200,000 is recommended for an enhancement to the "Jersey Fresh" marketing program. This recommendation will push the media exposure into new marketing areas, thereby increasing the awareness among potential consumers of New Jersey produced fruits and vegetables.

## Capital Construction

In addition to the \$155 million school construction program, the capital recommendation includes additional pay-as-you-go funding of \$128.5 million for construction and other infrastructure costs for a number of departments. The recommendations include the Shore Protection Program at \$15 million; \$12 million for flood control projects; \$16.6 million for Higher Education needs; a \$10 million Business Development Loan Program; \$1 million for the development of Urban Health Clinics; a new State Police headquarters in Hammonton at \$8.4 million; and \$9.4 million for various needs in Military and Veterans' Affairs facilities.

The Transportation Trust Fund is increased by \$28 million over its adjusted 1993 appropriation, providing sufficient funding to meet the debt service and other requirements of a \$565 million Transportation Trust Fund program in fiscal year 1994.

## State Operating Interdepartmental Accounts

The major cost increases for the State Operations recommendations are in the Interdepartmental accounts. A net increase of \$132.6 million is recommended. There are \$293.6 million in funding increases for contractual salary increases, employee health and other benefits, and other central expenses.

The increase in State Operations is reduced by \$161 million associated with savings from an Early Retirement program, and continuation of the staff attrition program, and reduced appropriations for interest payments due to interest earnings. As a result of the first two initiatives, we estimate that the State workforce will be reduced by 4,700 staff in addition to the 5,600 employees that have left the State workforce since 1991. The reductions are necessary to conform with the Cap Law.

### FISCAL YEAR 1994 BUDGET BY DEPARTMENT/AGENCY GENERAL FUND, PROPERTY TAX RELIEF FUND, CASINO FUNDS, AND ELECTION FUND (\$000)

DEPARTMENT/AGENCY	DIRECT STATE SERVICES	GRANTS- IN-AID	STATE AID	CAPITAL AND DEBT SERVICE	TOTAL
<b>EXECUTIVE AGENCIES:</b>					
Governor's Office	4,992				4,992
Agriculture	7,690			178	7,868
Banking	6,000				6,000
Commerce	19,062	20,199	7,502		46,763
Community Affairs	26,097	31,960	644,670		702,727
Corrections and Parole	526,704	90,746		11,301	628,751
Education	39,063	17,436	4,834,322	158,174	5,048,995
Environmental Protection & Energy	161,585		5,398	27,527	194,510
Health	38,170	40,902	17,771	4,793	101,636
Higher Education	671,312	223,816	114,594	16,549	1,026,271
Human Services	626,362	2,828,993	593,133	25,272	4,073,760
Insurance	13,797				13,797
Labor	52,070	16,196			68,266
Law and Public Safety	386,791	265	15,000	15,397	417,453
Military & Veterans Affairs	55,079	1,120		9,379	65,578
Personnel	31,151				31,151
Public Advocate	47,853				47,853
State	10,944	10,400	1,720	530	23,594
Transportation	101,439	251,700	19,237	183,000	555,376
Treasury	194,916	315,000 *	318,344	14,398	842,658
Misc. Exec. Commissions	1,075			2	1,077
<b>Subtotal Executive Agencies</b>	<b>3,022,152</b>	<b>3,848,733</b>	<b>6,571,691</b>	<b>466,500</b>	<b>13,909,076</b>
Interdepartmental Accounts	1,473,348				1,473,348
Legislature	45,557				45,557
Judiciary	102,731	3,021			105,752
Debt Service				115,886	115,886
<b>GRAND TOTAL</b>	<b>4,643,788</b>	<b>3,851,754</b>	<b>6,571,691</b>	<b>582,386</b>	<b>15,649,619</b>

\*Represents the funding for the Homestead Rebate Program.

# Highlights of Appropriations

## SUMMARY OF APPROPRIATIONS MAJOR INCREASES AND DECREASES

This table summarizes the major increases and decreases in the fiscal year 1994 budget, defined as a change of \$1.0 million or more compared to the fiscal year 1993 appropriation. Information is organized by fund and by category.

Categories of appropriations are defined as follows:

**State Operations** consist of programs and services operated directly by the State government. Funding is largely for the salary and benefits of State employees, as well as faculty and staff at the State colleges and universities. This portion of the budget is subject to the spending limitations imposed by the Cap Law.

**Grants-in-Aid** expenditures are for programs and services provided to the public on behalf of the State by a third party provider, or are grants made directly to individuals based on assorted program eligibility criteria. The Medicaid program, the Tuition Assistance Program, Homestead Rebates, payments for State inmates housed in county jails, and public transportation aid 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 Municipal Revitalization program, the Supplemental Municipal Property Tax Relief program, and other forms of municipal aid. It also includes funding for county colleges, and local public assistance and county psychiatric hospital costs.

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

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

### APPROPRIATIONS MAJOR INCREASES (\$ In Millions)

<b>State Operations</b>		
Employee Benefits .....		102.3
Gross Increase .....	127.3	
Less: Savings from early retirement and attrition .....	(25.0)	
Salary and other benefits (increments and COLA) .....		29.1
Gross Increase .....	140.1	
Less: Savings from early retirement .....	(66.0)	
Savings from attrition .....	(40.0)	
Reduced cost due to fewer employees .....	(5.0)	
Unused sick leave—early retirement program .....		16.0
Department of Corrections .....		13.3
Judiciary .....		4.7
Motor Vehicles operations—extended hours .....		4.1
Workers' Compensation Self—Insurance Fund .....		4.0
Statewide 911 emergency telephone system .....		3.4
Paramus, Vineland and Menlo Park Veterans' Homes .....		3.1
State Police recruit training—114th class .....		2.8
State Police salaries—113th class .....		2.4
Eleventh grade test .....		2.2
Travel and Tourism—advertising and promotion .....		1.5
Medicaid—payments to fiscal agents .....		1.5
Vehicle Claims Liability Fund .....		1.5
Preventive health program for uninsured children .....		1.0
<b>Subtotal State Operations</b> .....		<b>192.9</b>
<b>State Aid and Grants</b>		
School Aid .....		255.4
Medicaid program .....		225.0
Hospital Health Care Subsidy .....		81.5
Tuition stabilization incentive grant .....		30.0
Economic Assistance—caseload increase .....		27.6
Pharmaceutical Assistance to the Aged and Disabled .....		25.5
Inmates incarcerated in county penal facilities—rate increase .....		17.0
Tuition Aid Grants .....		16.5
Developmentally Disabled—community programs .....		16.3
Police Community Partnership Program .....		15.0
Youth and Family Services—community programs .....		11.1
Mental Health—community programs .....		10.1
Family Development Program .....		9.5
Gross Increase .....	16.6	
Less: Reduction in Job Opportunities and Basic Skills Training .....	(7.1)	
Community Drug Programs .....		7.1
County mental hospitals .....		6.9
Neighborhood Preservation—Fair Housing .....		5.0
Youth apprenticeship .....		4.5
In lieu of tax payments to municipalities .....		4.4
Educational Opportunity Fund .....		3.5
Lifeline programs .....		3.3
Continuation of substance abuse treatment .....		2.6

# Highlights of Appropriations

Good Start .....	1.5
Family planning services .....	1.5
Aid to independent colleges .....	1.0
Initiative to reform mathematics and science education .....	1.0
Cultural Projects .....	0.5
<i>Subtotal State Aid and Grants</i> .....	783.3
<b>Capital Construction</b>	
Local school construction—loans .....	105.0
Local school construction—grants .....	50.0
Department of Transportation .....	28.0
Department of Human Services .....	25.3
Department of Higher Education .....	16.6
Department of Law and Public Safety .....	15.4
Shore protection .....	15.0
Other Department of Environmental Protection and Energy .....	12.5
Department of Corrections .....	11.3
Business development loans .....	10.0
Department of Military and Veterans' Affairs .....	9.4
Other projects .....	13.0
<i>Subtotal Capital Construction</i> .....	311.5
<b>Other Increases (net)</b> .....	5.1
<i>Grand Total All Funds (Major Increases)</i> .....	1,292.8
<b>MAJOR DECREASES</b>	
<b>State Operations</b>	
Interest on short-term notes .....	25.0
Telephone buyout .....	1.8
Election Law Enforcement .....	4.7
<i>Subtotal State Operations</i> .....	31.5
<b>State Aid and Grants</b>	
State-operated school districts .....	24.0
Sewage facility construction .....	3.5
Governor's teaching scholarships .....	1.1
<i>Subtotal State Aid and Grants</i> .....	28.6
<b>Debt Service</b> .....	328.4
<i>Grand Total All Funds (Major Decreases)</i> .....	388.5
<i>Net increase (fiscal year 1993 adjusted appropriation versus fiscal year 1994 recommendations)</i> .....	904.3

# Highlights of Appropriations

## CAPITAL INVESTMENT PROGRAM

An essential component of the economic recovery strategy of this Administration has been using public funds to improve the State's infrastructure, while stimulating private sector construction jobs in the state. The fiscal year 1994 Budget includes a \$283.5 million capital improvement initiative that is designed to have such a "double duty" impact. It calls for the renovation and restoration of schools, State colleges, beaches, parks, and State institutions—public facilities that will be needed by future generations. Like other counter-cyclical job creation initiatives, including the Economic Recovery Fund and the Transportation Trust Fund, the Capital Investment Program will create private sector jobs, an estimated 15,000 during the next two years.

### Funding

Economic conditions in late 1992 offered a unique opportunity to invest in the State's infrastructure. Historically low interest rates and a competitive capital construction market made the much needed renovation and rehabilitation of public facilities possible, and at relatively low cost.

Specifically the low interest rates allowed the State to refinance its long-term debt. Consequently, the debt service requirement was reduced and funds became available to address infrastructure needs. The entire restructuring generated a three-year savings exceeding \$900 million of which more than \$300 million was dedicated to the State's fund balance and Rainy Day Fund. The remaining savings are dedicated to a variety of capital projects, with \$283.5 million available in fiscal year 1994.

### The Capital Program

The Capital Program covers State facilities and makes \$155 million available to school districts to repair or

replace school buildings in serious disrepair. Specific infrastructure initiatives are grouped into one of the following categories.

**Preservation – \$18.8 million.** These recommendations contribute directly to the protection of facilities and structures. Preservation initiatives include roof replacement; heating, ventilation and air conditioning repair and replacement; general maintenance; improvements to roads and approaches; and security system enhancements.

**Life Safety – \$16.6 million.** These recommendations finance hazardous substance abatement or removal, fire code compliance, improvements in indoor air quality, and elimination of occupational and health dangers that threaten clients and employees.

**Acquisition – \$4.6 million.** Land and buildings, as well as major equipment, will be purchased.

**Environmental – \$6.5 million.** These projects address environmental issues on State-owned sites, specifically related to the replacement of leaking underground tanks, and improvements to wastewater treatment facilities.

**Construction – \$82 million.** These funds are available to meet identified needs for new or expanded facilities. General renovation and rehabilitation, statewide water supply, and wastewater treatment projects for State facilities are supported by this recommendation.

**School Facilities Program – \$155 million.** The 30 special needs districts will receive grants totaling \$50 million. Other districts will be eligible for \$105 million in loans.

**DISTRIBUTION OF CAPITAL PROGRAM BY DEPARTMENT AND CATEGORY**  
(thousands of dollars)

Department	Total	Preservation	Life Safety	Acquisition	Environmental	Construction	School Facilities
Agriculture	178	53	0	0	0	125	
Corrections	11,301	6,029	0	447	1,161	3,664	
Education	158,174	1,100	0	0	51	2,023	155,000
Environmental Protection & Energy	27,529	0	0	527	0	27,002	
Health	4,793	0	0	2,793	0	2,000	
Higher Education	16,549	5,512	5,013	0	245	5,779	
Human Services	25,272	1,923	6,486	200	2,409	14,254	
Law & Public Safety	15,397	2,961	854	356	1,334	9,892	
Military & Veterans' Affairs	9,379	500	4,206	0	1,314	3,359	
State	530	330	0	0	0	200	
Treasury	14,398	387	50	264	0	13,697	
<b>Grand Totals</b>	<b>283,500</b>	<b>18,795</b>	<b>16,609</b>	<b>4,587</b>	<b>6,514</b>	<b>81,995</b>	<b>155,000</b>
<b>Percent of Total</b>		<b>7%</b>	<b>6%</b>	<b>2%</b>	<b>3%</b>	<b>27%</b>	<b>55%</b>

## *Highlights of Appropriations*

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### **Economic and Infrastructure Benefits**

The initial benefit of publicly financed investment in a recovering economy is accelerated job creation. Increasing private sector employment permeates an entire economy, boosting consumer confidence and triggering higher levels of economic activity. New Jersey, having battled its way through a difficult national recession, is primed for such an investment.

Maintaining New Jersey's parks and shoreline also makes good business sense. The State's tourism industry has benefited by keeping the coastline and beaches clean. Further, the Capital Program supports the Shore Protection Program, a need that became poignantly clear in the aftermath of the violent storm that struck the Jersey Shore in early December.

Substantial savings will be achieved by installing and repairing institutional sewage treatment facilities, and the costly process of hauling waste from the State's institutions will be reduced by constructing sewage linkages to municipal sewage facilities. State expenditures for sewage hauling exceed \$5 million per year, and the planned enhancements will result in a relatively quick payback. Similarly, costly soil and water remediation projects will be avoided by eliminating aging underground storage tanks at State facilities. Due to the threat to aquifers and the environment, all underground tanks must meet new, more stringent standards in 1994.

The damage caused by leaking roofs has a substantial impact on the ability to operate programs and requires costly repairs. In order to prevent water damage, a series of roof repair and replacement projects are

included in this Budget. Failure to address these problems in the past led to recent water damage at the State Education Building. Leaking roofs have also caused the loss of bed spaces in prisons and veterans homes.

Investment in State institutions is necessary to ensure the continued flow of federal revenue to accredited facilities such as psychiatric hospitals and developmental centers. Millions of federal dollars are generated by maintaining institutional quality.

### **Bond Funds**

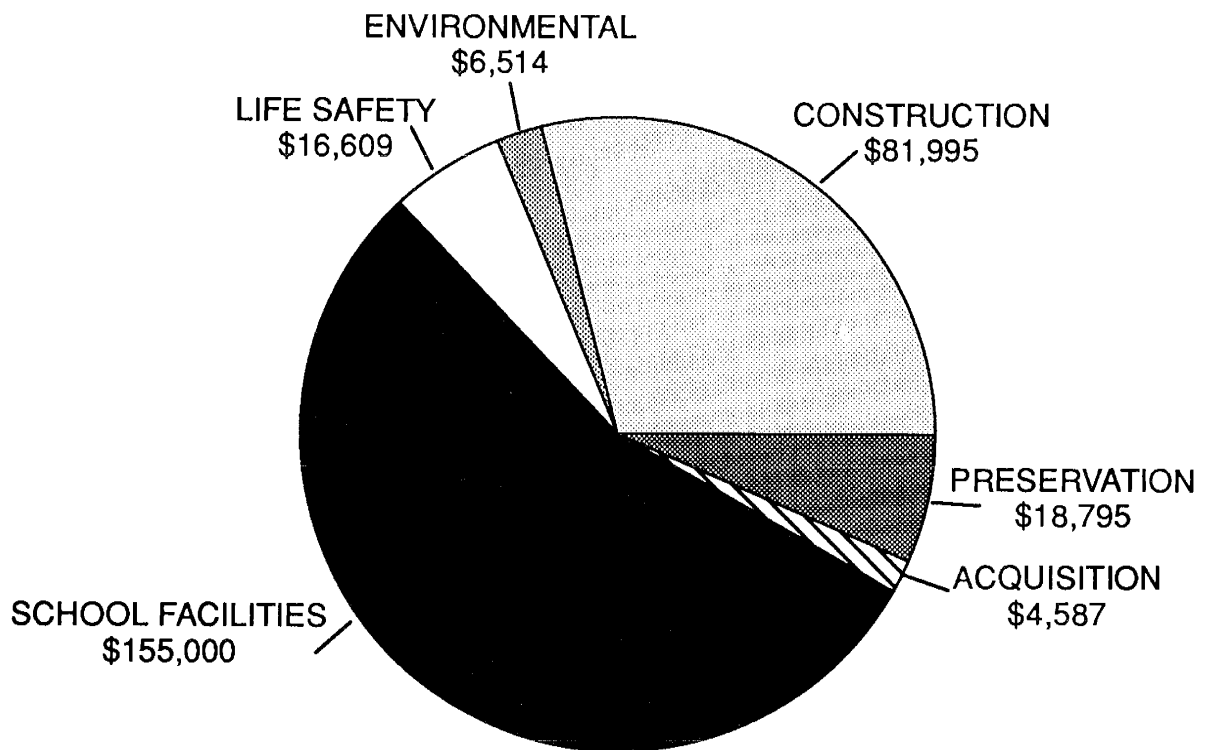
In addition to the pay-as-you-go capital dollars recommended, the Department of Corrections has \$41 million in bond funds to complete renovations and improvements to existing prisons. Completion of these projects will also prevent the loss of bed spaces, which would otherwise have occurred if necessary repairs were allowed to become emergency conditions.

Similarly, the Department of Human Services will have \$37 million of bond funds available for capital planning, renovations and improvements at institutions and community facilities statewide, and the Department will proceed with the construction of a new Forensic facility on the grounds of Trenton Psychiatric Hospital.

Finally, \$102 million of Green Acres Bond funds are available to renovate, improve, and acquire property. As a result, parks, forests and recreation programs will be more accessible to New Jerseyans.

A narrative briefly describing departmental initiatives is included in the Components of the Budget section concerning capital.

**FISCAL YEAR 1994  
CAPITAL RECOMMENDATION**  
(in thousands)



**Total \$283.5 million**

### HEALTH CARE REFORM ACT

During the course of the past decade we have watched as health care costs exploded and ranks of uninsured Americans reached frightening levels, even among working families. The health care crisis is national in scope, and well directed national policies will ultimately be necessary to cure this country's health care ills.

A number of states have taken initiatives to address the cost and payment of hospital services to the uninsured, but in several of these states legal questions have arisen regarding the financing mechanisms used. Specifically, state policies which require that uncompensated care be paid, at least in part, by insured individuals are being challenged in the courts.

On May 28, 1992, a federal appeals court in New Jersey determined that self-funded health plans were exempt from a 19.1 percent surcharge on hospital bills. The surcharge was used to fund the cost of uncompensated care. In the case, *United Wire, Metal & Machine Health and Welfare Fund v. Morristown Memorial Hospital*, a federal judge ruled that the 14 union plans were exempt from paying the surcharge under the federal Employee Retirement Income Security Act (ERISA). This Act states that self-insurance plans cannot be required to pay benefits for individuals who are not members of the plan.

The judge gave the State several months to develop a new system for paying hospital bills for the uninsured. Working together, the Governor and the Legislature crafted the Health Care Reform Act of 1992. This law makes several significant changes in health care in New Jersey.

First, the law terminates State control over hospital rates. Beginning in 1994, hospitals will be free to establish their own rates at the level that the competitive market will bear. The intent is to promote efficiencies in the hospital system. Deregulation of the rate-setting process and price competition are intended to lower costs. The goal is to create an environment in which hospitals continue to focus on quality patient care, while controlling costs in order to remain competitive.

Second, the New Jersey Health Care Trust Fund, which financed uncompensated care by adding the 19.1 percent surcharge to New Jersey's acute care hospital rates, has been eliminated. To ensure that health care is not denied to residents because of their inability to pay, the Act created a Health Care Subsidy Fund. This Fund is financed by employer and employee taxes that are redirected from the Unemployment Compensation

Trust Fund. There will be an immediate savings for private insurance subscribers, since the burden of funding uncompensated care will be spread to all employers, not just those providing health insurance. The Health Care Subsidy Fund will provide a total of \$500 million in charity care subsidies, plus \$100 million in additional subsidies to ease the transition to a deregulated environment during calendar year 1993. These subsidies are reduced in subsequent years.

Third, the Act created the New Jersey SHIELD Program, which is designed to provide insurance subsidies for health coverage. Coupled with reforms governing individual and small group insurance plans, the goal is to increase the number of insured New Jersey residents. In addition, the program will include provisions to cover preventive and primary health care costs, and reduce hospital admissions. The resources for this initiative will come from the Health Care Subsidy Fund with a total of \$50 million earmarked for calendar year 1994 and \$100 million for 1995. The NJ SHIELD program as well as other components of the Reform Act will be administered by the newly-created Essential Health Services Commission.

The State of New Jersey is a self-insured payor of hospital bills and as such has been paying the 19.1 percent surcharge. With the elimination of the surcharge, the State could realize an estimated savings of as much as \$35 million annually on its costs for inpatient hospital bills over the next three years. However, unlike for-profit employers, the State of New Jersey is a nonprofit employer and pays only unemployment claims that are directly attributable to New Jersey State employees, rather than an actual percentage rate. Since the employees' share will now pay for charity care, rather than for unemployment claims, the State will be required to pay up to \$9.5 million in additional costs to support unemployment claims no longer paid by the employee share.

### Hospital Health Care Subsidy

A number of communities in New Jersey face some of the most pervasive and chronic health problems of our time. In addition, a large number of patients in these communities are unable to pay for services rendered to them.

To ensure the financial viability of potentially vulnerable hospitals, the fiscal year 1994 Budget provides \$163.1 million (\$81.6 million State funds, the remainder federal) to subsidize them. This recommendation is in addition to the funds that these hospitals will receive



## *Highlights of Appropriations*

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from the Health Care Subsidy Fund. Otherwise, in order to compensate for services rendered but not paid, their rates would have to be substantially higher. Health insurance companies and individuals with a choice would opt for the less costly hospital. Eventually, as the number of paying clients decreased, hospital rates in distressed areas would rise even higher, creating a downward spiral that could jeopardize essential health care providers. This Budget will help to ensure that the competitive environment does not lead to a reduction in the level or quality of health care provided to our neediest populations.

In addition, this budget directs funding at urban health care problems. Women in urban areas lack access to family planning clinics and advice. More than 60 percent of all state residents diagnosed with AIDS (Acquired Immune Deficiency Syndrome) come from four urban counties. Fully two-thirds of New Jersey's AIDS cases are the direct or indirect result of drug abuse. Tuberculosis (TB), which can be transmitted through the air and easily affects those already display-

ing AIDS symptoms, is again posing a threat where the population is highly concentrated — again, our urban areas. Studies performed in the Lattimore TB Clinic in Newark revealed that 40 percent of TB patients also tested positive for the Human Immunodeficiency Virus (HIV), which leads to AIDS. This Budget includes \$143.1 million (a \$14.5 million increase) in State and federal funding for these and other urban health concerns. With additional funding, 7,500 more clients will be served at family planning clinics, increasing the availability and accessibility of Norplant, the birth control implant. Increases in funding for AIDS will allow 1,600 clients to receive financial assistance to purchase the drug AZT, while 10 caseworkers will be hired to help control drug-resistant TB in three cities and the number of drug treatment slots will be maintained at current levels. Finally, a preventive health program for uninsured children will be developed to ensure that children receive primary care outside the hospital emergency room and before they require more intensive hospitalization.

## WORKFORCE DEVELOPMENT PARTNERSHIP ACT

The Workforce Development Partnership Program was enacted in July 1992 as part of this Administration's overall strategy to create private sector jobs in New Jersey. The program offers job training for individuals who are in danger of losing their current jobs due to obsolete skills, as well as to unemployed and disadvantaged workers. The partnership brings businesses, unions and government together, and takes advantage of the State's training resources to craft employment-related skill development programs. Its goal is to produce skilled workers in areas of labor market demand, resulting in permanent, high-wage jobs. The program offers qualified individuals career counseling, vocational and remedial education, tuition waivers, and grants to help pay for training in marketable skills.

Skills training will be delivered through customized training services for employers and training grants to

individuals. Training will be conducted by New Jersey training institutions, such as county colleges or trade schools. This program builds upon the existing employment, training and education infrastructure.

This new program is funded by a portion of the current payroll tax for unemployment insurance which has been redirected to support a training trust fund. The total rate of contributions has not been increased for either workers or employers. Beginning January 1, 1993, the contribution rate to the State's unemployment fund will be reduced by 0.025 percent for employees and 0.1 percent for employers, and redirected to fund the Workforce Development Partnership Training Trust Fund. The Department of Labor estimates that more than \$50 million will be generated annually beginning in fiscal year 1994.

	Percent of Funds Collected	Annual Collections Total \$50 Million (\$ in millions)	Served Annually
Training Grants to Displaced Workers .....	30.0	15.00	4,164
Training Grants to Disadvantaged Workers ....	8.0	4.00	1,160
DOL Administrative Support .....	10.0	5.00	
Occupational and Health Safety Program Support .....	3.0	1.50	
SETC Administrative Support .....	0.5	0.25	
Customized Training Grants .....	48.5	24.25	21,500

### Customized Training Program

The emphasis of the Workforce Development Partnership program is on customized training to help employers improve their workers' job skills. Employers must have a business plan approved by the Department of Labor and provide 40 percent matching funds.

### Individual Training Grants

Training grants will be made to approximately 5,000 to 6,000 eligible unemployed individuals annually. Individuals would be eligible for a grant if their choice of training is considered a labor demand occupation and Labor's career counselors determine that they will

complete the program. Unemployed persons enrolled in the program are permitted to continue receiving unemployment benefits. If individuals exhaust their benefits while enrolled in this training program, they are eligible to receive extended unemployment compensation benefits from the State's Unemployment Insurance Trust Fund for a maximum of 26 weeks. No charges will be levied against any employers' accounts for these extended benefit payments. By January 1993, grant recipients should be enrolled in training institutions for job training, based on individual needs assessments designed by Labor's career counselors.

## *Highlights of Appropriations*

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Disadvantaged workers (under-employed workers, unemployed individuals or those who are employed and receive public assistance) also are eligible for remedial education services, in addition to training grants of \$4,000.

The Department of Labor and the State Employment and Training Commission (SETC) will administer this program in cooperation with business, organized labor and the Departments of Education, Higher Education, and Commerce and Economic Development.

The SETC is directed by statute to: 1) establish standards jointly with the Departments of Education, Higher Education and Labor regarding minimum levels of remedial education which shall be made available to a trainee under an employment and training program; 2) coordinate the development of an assessment program for persons seeking access to employment and training programs; and 3) report annually to the Governor and the Legislature on projects.

## NEW PRISON CONSTRUCTION

After more than a decade of extraordinary growth in the prison population, facility overcrowding continues to be one of the major problems facing the State. At the close of 1992, there were 22,277 adult inmates under the jurisdiction of the Department of Corrections. State correctional facilities, with more than 18,000 inmates, are operating at 132 percent of capacity. In addition, 2,900 State inmates are held in county jails because there are insufficient cells in State facilities.

The State will begin construction in fiscal year 1994 of a new 2,000 bed medium security prison with an estimated cost of \$179 million. The decision to build this facility was based on an analysis of inmate population projections, conditions affecting the future ability of the State to house inmates in the county jails, overcrowding and deteriorated housing in State facilities, and the potential for legislative or policy changes which could affect the need for prison capacity. Each of these factors are discussed in the sections that follow.

### Inmate Population Projections

Driven first by the imposition of tougher sentencing guidelines and mandatory minimum terms, and then by enactment of the Comprehensive Drug Reform Act (CDRA), the adult inmate population increased by an average of 130 per month during the period from 1981 to 1991. Late in 1991, the rate of growth declined dramatically, and during the last half of 1992 the population actually declined as releases exceeded admissions.

At the request of the Governor, a task force made up of representatives from the Department of Corrections, State Parole Board, Administrative Office of the Courts and the Division of Criminal Justice developed projections of the inmate population for the next three years. Their report, issued in June 1992, analyzed the data relating to the recent changes in the inmate population and concluded that the recent decline was associated with a large number of drug offenders now becoming eligible for parole release. These offenders had been convicted under CDRA and were responsible for the admission increases in previous years. The task force projected that, after this "bubble" of offenders moves

out of the system, the State will reach a relative balance of admissions and releases, resulting in a stable inmate population through 1995.

### Legislative or Policy Changes

The task force report noted that achieving equilibrium would be possible only if there were no major legislative or policy sentencing initiatives. Changes that increase mandatory sentencing, alter sentencing criteria, or offer alternatives to incarceration could affect population levels suddenly and substantially. No impact of potential future changes in legislation or policy was factored into the task force's estimate for the next three years.

However, significant legislative and policy changes have recently occurred, and they will have a substantial impact on two major programs that provide alternatives to incarceration. Recently, the State Supreme Court ruled that 1st and 2nd degree offenders could no longer be accepted into the Intensive Supervision Probation program. Further, as the result of incidents involving participants and legislative concerns, the Department of Corrections decided to phase out the Home Confinement/Electronic Monitoring program during fiscal year 1993. These events result in additional demands on the institutional side of the correctional continuum.

Another continuing concern is the federal policy with regard to the lease at Mid-State Correctional Facility at Fort Dix. The current lease is extended only to December 31, 1993. A decision to terminate the lease would result in the loss of 565 beds.

### County Jails

In April of 1992, the State Superior Court Appellate Division declared an end to the State's use of emergency Executive Orders to place State sentenced inmates in the county jails and gave the State until April 29, 1993, to comply with the decision. The Court suggested three possible remedial actions: 1) removing all State inmates from the county jails; 2) statutorily placing the county jails under State jurisdiction; and 3) negotiating an agreement with the counties for reimbursement at a rate that truly reflects the cost to maintain the inmates. The State is currently appealing this decision. In addition, there is pending litigation involving overcrowded

## ***Highlights of Appropriations***

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conditions in the Camden and Bergen county jails, as well as court imposed caps on the population in five other county jails.

The outcome of the State's appeal of the court decision and other pending litigation, as well as a budget recommendation of \$17 million to increase county jail reimbursement rates, may determine whether the current level can be maintained or will have to be reduced. The present backup of State inmates in county jails is approximately 2,900. The Department of Corrections has stated that a more manageable county backup level would be 1,500, which would require reducing the backup by 1,400 and creating a corresponding number of additional State bed spaces.

### **Overcrowding and Deteriorated Housing in State Facilities**

The Department's 12 secure adult correctional facilities house more than 18,000 inmates. This is approximately 4,300 inmates or 32 percent greater than the design capacity of the facilities. Of these, approximately 2,100 inmates are in such non-housing areas as day rooms, recreation areas, laundry rooms, and chapels. Such overcrowding creates health problems with regard to the ratio of toilets and showers per inmate. In a number of facilities, overcrowding has resulted in an excess

volume of sewage, thus raising disposal costs. Approximately 1,500 inmates have been added to various facilities through double bunking, which is not desirable from the standpoint of security.

There is a need to replace 600 temporary trailer beds at various facilities as well as a tent city at Bayside State Prison in which 150 inmates are housed. Older wings at East Jersey and New Jersey State Prisons, currently housing approximately 2,300 inmates, are in extremely poor condition and would have been replaced years ago if not for the overcrowding.

### **New Prison Construction**

All of these factors led to the decision to build a new prison. It will be built by conventional "brick and mortar" construction rather than the modular (prefabricated) construction used frequently in the past several years to meet the tremendous growth experienced in inmate population. However, given the projection of a relatively moderate future population growth, the long-term advantages of a conventionally constructed facility outweigh any savings in cost and construction time obtained from modular construction. These advantages include greater structural integrity for added security, flexibility in design and architecture, and most significantly, lower staffing requirements and operating costs.

### SCHOOL AID AND PROPERTY TAX RELIEF PACKAGE

The fiscal year 1994 Budget continues the effort to broaden State-funded property tax relief begun in fiscal year 1992. That year, the Budget featured a new four-part package to combat excessive property taxes: increased school aid under a restructured formula, a redesigned Homestead Rebate program, assumption of local human services program costs, and increased municipal aid. In fiscal year 1993, a fifth component – refinancing of the local pension systems – was added. The Budget recommended for fiscal year 1994 not only renews all five parts of the property tax relief package, but also adds a sixth component: State assumption of county costs of the court system, mandated by a Constitutional amendment approved last fall.

The first five elements of the property tax relief package will provide \$2.52 billion more in fiscal year 1994 than was provided in fiscal year 1990 to alleviate property tax burdens. The added measure of property tax relief from the pending Judicial Unification Act is still being determined as the implementing legislation moves toward final enactment.

This continued commitment to property tax relief is a necessary counter-balance, both to unavoidable increases in the cost of essential local services, and to a local property tax system which tends to be regressive in impact. State-funded property tax relief instills fairness to the financing of government and helps government be more efficient and more responsive to the people it serves. Following are highlights of the property tax relief package recommended in the fiscal year 1994 Budget.

**State Aid to Local School Districts:** The Budget calls for \$1.21 billion more State school aid than in fiscal year 1990. About 75 percent of all school districts will receive increases in Foundation Aid, and all districts will receive no less than in 1992–1993.

**Homestead Rebates:** The Budget recommends rebating \$315 million to households for property tax relief, \$9.6 million more than in fiscal year 1990. It is expected that 1.64 million households will receive rebates next year, 43,000 more than in fiscal year 1990.

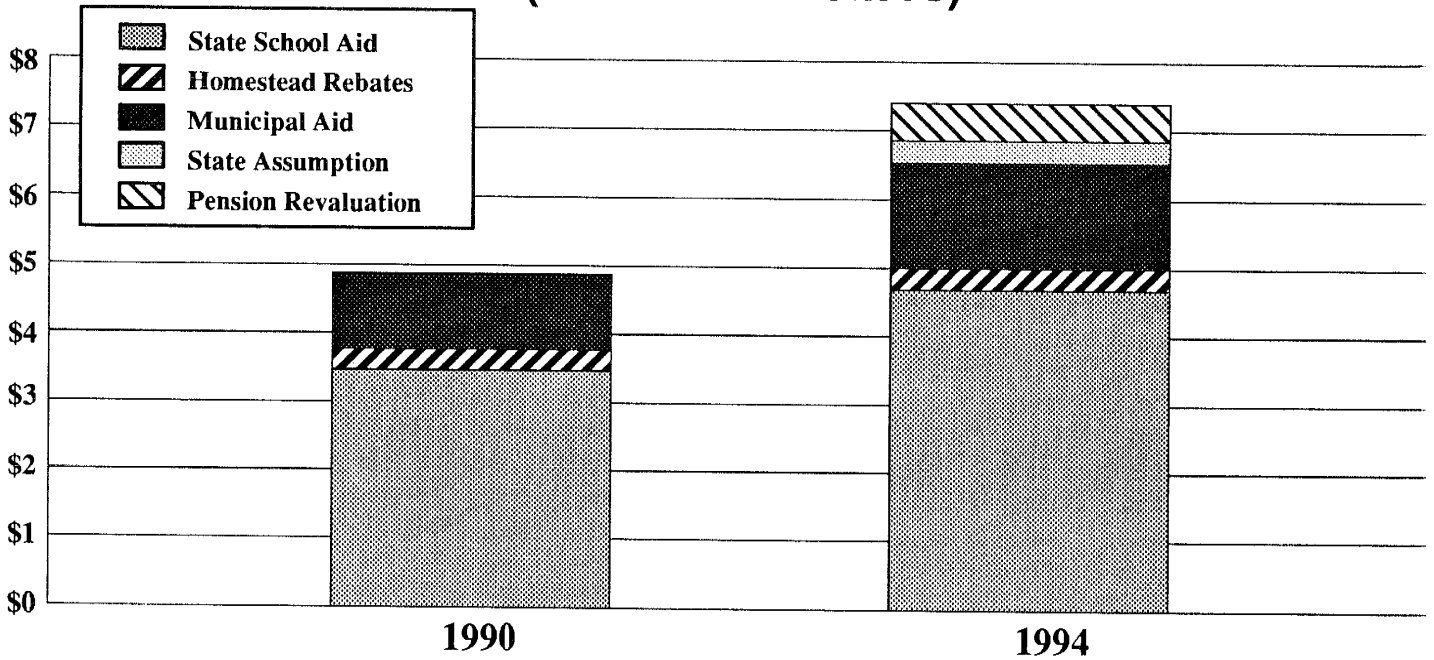
**State Assumption of Local Social Services Costs:** The Budget provides \$321.7 million more than in fiscal year 1990 to assume the burden of welfare benefits and care of patients in State institutions and other residential settings, costs formerly borne by counties and municipalities. This reduces inflationary pressures on local budgets and better matches State funding responsibility with State program direction.

**Municipal Aid:** State aid payments to municipal governments will exceed aid payments in 1990 by \$430 million, including an increase of \$4.5 million compared to fiscal year 1993 for payments to municipalities in lieu of taxes on State property. All municipalities receive funds from at least one of the six programs added or expanded since 1990.

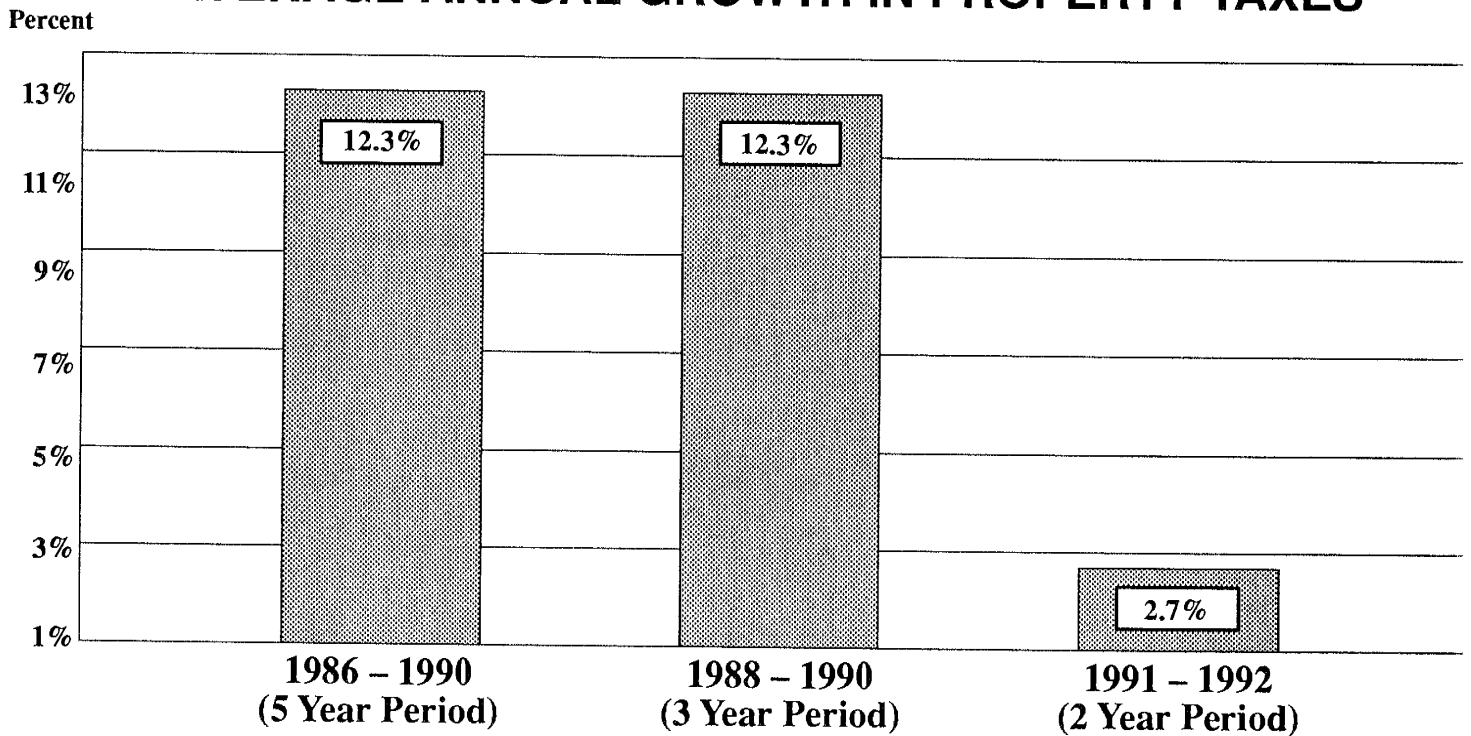
**Pension Refinancing:** Refinancing the pension systems for local government employees will reduce county and municipal costs by approximately \$170 million. The ongoing savings will be recognized in reduced property taxes. Refinancing the pension system for teachers increases the funds available for Foundation Aid by \$380 million, which also translates into reduced local tax effort as well as enhanced educational opportunities.

**Judicial Unification:** The State Budget will begin to fund the counties' share of trial court system costs in the second half of the fiscal year. County trial court employees will become State employees, with the State Budget funding an increasing proportion of salary, fringe benefit and operating costs. The State's share of costs will increase proportionately each year. By 1998, all costs will be State-funded. This change will achieve not only property tax relief, but also more equitable allocation of judicial costs and a more efficiently managed court system.

**SCHOOL AID AND PROPERTY TAX RELIEF PACKAGE  
(Billions of Dollars)**



**AVERAGE ANNUAL GROWTH IN PROPERTY TAXES**



## STREAMLINING STATE GOVERNMENT

Achieving cost reductions in the operation of State government has been an ongoing objective of this Administration. Reducing business expenses in the public arena, as in the private sector, is a formidable task. But, the record of this Administration clearly demonstrates budget savings of unprecedented proportions in New Jersey government.

A multifaceted approach has been taken to reverse the trend of the 1980s, which saw the State government grow from 58,000 to 71,000 workers. Formulating a law with real teeth was the necessary first step in controlling government costs. Such a law was passed in 1991. Commonly referred to as the Cap Law, it limits the extent to which government may add appropriations to the budget concerning direct state services.

Second, a process was required to examine State government costs. The Administration created the Governor's Management Review Commission to examine governmentwide and department-specific opportunities to reduce government costs. As a result of the Commission's efforts, \$1.8 billion in savings have been achieved.

Third, budget strategies were necessary to implement a variety of efficiency measures and program cuts, in order to reduce the size of New Jersey government. Closing obsolete facilities and consolidating certain maintenance and administrative functions are examples of these budget strategies.

These three strategies to reduce the size of the State work force were implemented during fiscal year 1992 and continued in fiscal year 1993, resulting in a decrease of more than 5,600 employees, almost 8 percent of the workforce, over the two-year period.

These savings have been achieved in the workforce as a whole even though there have been additions to specific areas based upon compelling needs related to the protection of New Jersey's citizens. As we applied tough sentencing laws for those found guilty of violent crimes or the sale of illegal drugs, inmate populations grew dramatically during the last decade, requiring the addition of 4,780 correctional workers to staff new prisons. Similarly, the war on drugs, organized crime, corruption, and insurance fraud, and efforts to improve vehicular safety led to an increase of 1,500 employees. And increased public demand to improve environmental quality resulted in 31 new laws since 1982, requiring 1,600 employees. As of November 1992, the State workforce in all but these three program areas was approximately level with the staffing in 1982.

The annual cost savings from employee reductions is estimated at \$260 million (\$205 million in salaries and \$55 million in benefits not paid). New Jersey's staff

reductions were achieved through the following initiatives:

- Early Retirement Incentives, resulting in a reduction of approximately 2,500 employees;
- a tightly controlled hiring review process, limiting the replacement of employees who left State service, resulting in net attrition of approximately 1,300 employees; and
- a formal Reduction in Force (RIF or layoff), resulting in the layoff of approximately 1,800 employees.

The accompanying charts detail by service where staffing reductions have occurred and illustrate the configuration of the current work force.

The fiscal year 1994 Budget recommendation assumes continued staff reductions, estimated to be 4,700 employees, in order to achieve an additional \$106 million savings and enable the Budget to comply with the Cap Law. With this reduction, the number of New Jersey State employees will have declined by more than 10,000 managers and workers, a 14.5 percent reduction since December 1990. The savings will be achieved through the combined implementation of two workforce reduction programs.

An attrition program is anticipated to generate \$40 million. The current hiring freeze will be continued, and an estimated 2,600 attrition vacancies must be generated during the course of the year to develop the needed savings.

An Early Retirement Incentive Program is estimated to generate \$66 million in savings. As proposed for legislation, the incentive would be offered to employees who retire between April 1 and July 1, 1993, and meet the following criteria:

- have reached at least age 50, with 25 or more years of pension membership credit. These retirees will qualify for an additional five years of pension membership credit if in the Public Employees Retirement System or Teachers' Pension and Annuity Fund, or one year's base salary if in the Alternate Benefit Program or federal systems;
- have reached at least age 60, with 20 but less than 25 years of pension membership credit. These retirees will be eligible for employer-paid health benefits coverage; or
- have reached at least age 60 with 10 but fewer than 20 years of pension membership credit. These retirees will qualify for an additional \$500 per month in pension benefits for a period of 2 years.

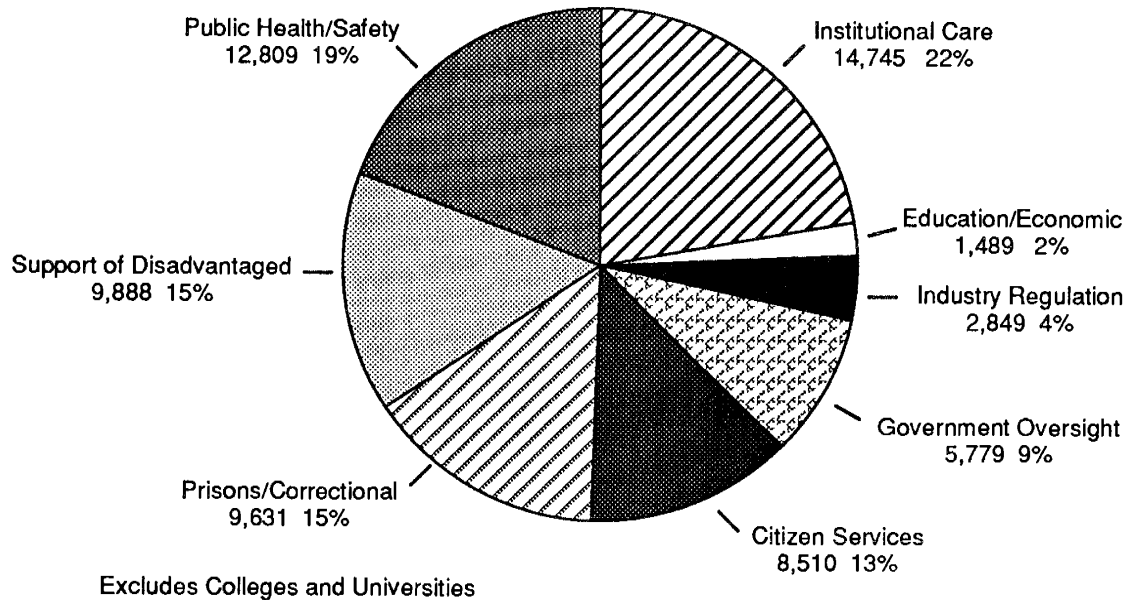
It is estimated that about 2,100 individuals, one-third of those eligible, will opt to retire.



# Highlights of Appropriations

## GOVERNMENT SERVICES AS STAFFED BY NEW JERSEY'S WORKFORCE AS OF DECEMBER 1992

**TOTAL WORKFORCE – 65,700**



### STATEWIDE COUNT FULL-TIME EMPLOYEES

YEAR	EMPLOYEES
1982	58,178
1983	58,840
1984	60,345
1985	62,966
1986	65,087
1987	66,770
1988	70,144
1989	69,943
1990	71,324
1991	66,524
1992	67,094
1993	<b>CURRENT</b> 65,700*
	<b>REQUIRED REDUCTION</b> -4,700
1994	<b>PROJECTED</b> 61,000 <b>14.5% DECREASE FROM 71,324</b>

\*Includes increased staffing of 7,880 related to prison, citizen safety and environmental programs since 1982. Without this growth, workforce would be at 57,820, i.e. 1982 level.

# Highlights of Appropriations

## GOVERNMENT SERVICES AS STAFFED BY NEW JERSEY'S WORKFORCE (EXCLUDING COLLEGES AND UNIVERSITIES)

	DEC 1990	DEC 1992	DIFFERENCE	PERCENT
<b>INSTITUTIONAL CARE</b> .....	<b>16,173</b>	<b>14,745</b>	<b>(1,428)</b>	<b>-8.83</b>
Centers for the Developmentally Disabled .....	9,549	8,708	(841)	-8.81
Psychiatric Hospitals .....	5,547	4,959	(588)	-10.60
Veterans' Nursing Homes .....	1,077	1,078	1	0.09
<b>PUBLIC HEALTH and SAFETY</b> .....	<b>13,600</b>	<b>12,809</b>	<b>(791)</b>	<b>-5.82</b>
Health .....	1,690	1,521	(169)	-10.00
Environmental Protection .....	2,946	2,845	(101)	-3.43
State Police .....	3,861	3,484	(377)	-9.76
Justice .....				
- The Courts .....	1,640	1,625	(15)	-.91
- Civil .....	1,508	1,549	41	2.72
- Criminal .....	1,619	1,493	(126)	-7.78
National Guard and Veteran Programs .....	336	292	(44)	-13.10
<b>SUPPORT FOR THE DISADVANTAGED</b> .....	<b>10,706</b>	<b>9,888</b>	<b>(818)</b>	<b>-7.64</b>
Unemployment, Disability, Employment Services .....	3,796	3,773	(23)	-0.61
Youth and Family Services .....	3,739	3,251	(488)	-13.05
Medical Assistance (Medicaid) .....	937	871	(66)	-7.04
Economic Assistance (Welfare) .....	606	500	(106)	-17.49
Programs for the Deaf and Blind .....	345	319	(26)	-7.54
Human Services Community Programs (DDD & DMH) .....	1,283	1,174	(109)	-8.50
<b>PRISONS AND CORRECTIONAL PROGRAMS</b> .....	<b>10,010</b>	<b>9,631</b>	<b>(379)</b>	<b>-3.79</b>
<b>CITIZEN SERVICES</b> .....	<b>9,655</b>	<b>8,510</b>	<b>(1,145)</b>	<b>-11.86</b>
Transportation and Roads .....	5,333	4,592	(741)	-13.89
Motor Vehicles .....	2,729	2,437	(292)	-10.70
State Parks, Forestry & Natural Resource Management .....	890	911	21	2.36
Community Programs .....	309	224	(85)	-27.51
Public Broadcasting Authority .....	196	172	(24)	-12.24
Library, Museum and Arts .....	198	174	(24)	-12.12
<b>GOVERNMENT OVERSIGHT</b> .....	<b>6,432</b>	<b>5,779</b>	<b>(653)</b>	<b>-10.15</b>
General Services, State Planning, Governor's Office, etc. ..	1,612	1,441	(171)	-10.61
Taxation .....	1,339	1,346	7	0.52
Data Processing and Telecommunications .....	1,427	1,208	(219)	-15.35
Pensions, Investments .....	451	421	(30)	-6.65
Office of Management & Budget .....	340	265	(75)	-22.06
Personnel and Training .....	728	620	(108)	-14.84
Legislature .....	535	478	(57)	-10.65
<b>INDUSTRY REGULATION</b> .....	<b>2,901</b>	<b>2,849</b>	<b>(52)</b>	<b>-1.79</b>
Legalized Games of Chance .....	1,123	998	(125)	-11.13
Housing and Fire Safety .....	748	746	(2)	-0.27
Insurance .....	445	525	80	17.98
Licensed Occupations/Professional Regulation .....	167	200	33	19.76
Banking .....	142	125	(17)	-11.97
Commercial Recording .....	117	97	(20)	-17.09
Board of Public Utilities .....	159	158	(1)	-0.63
<b>EDUCATION</b> .....	<b>1,472</b>	<b>1,185</b>	<b>(287)</b>	<b>-19.50</b>
<b>ECONOMIC DEVELOPMENT</b> .....	<b>375</b>	<b>304</b>	<b>(71)</b>	<b>-18.93</b>
<b>TOTAL WORKFORCE</b> .....	<b>71,324</b>	<b>65,700</b>	<b>(5,624)</b>	<b>-7.89</b>

# *Highlights of Appropriations*

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## **AUDIT ACHIEVEMENTS**

### **Governor's Management Review Commission**

The Governor's Management Review Commission was created in 1990 as a part of the Administration's effort to rein in the cost of State government. The Audit, as it has come to be known, was given three goals—to cut costs, streamline operations and improve productivity.

The Audit was conducted in partnership with New Jersey's leading corporations, universities, accounting firms and hundreds of dedicated public employees. The Audit was comprehensive. Every executive department and many critical management areas were reviewed in 42 detailed analyses, producing more than 700 recommendations to improve government operations and lower costs.

The Administration, working with members of the Legislature, has implemented many of the Audit recommendations. The economic benefits of the Audit recommendations for fiscal years 1992 and 1993 amount to over \$1.7 billion in direct budget savings. With an additional \$106 million included in the Governor's fiscal year 1994 Budget, the Administration has been able to save more than \$1.8 billion over three fiscal years.

The most significant benefit has been the revaluation of the State pension fund, which provided more than \$1.3 billion in budget relief. Collecting delinquent taxes through the Cheater-Beater program has yielded \$82.5 million while better assuring that everyone pays the taxes they owe. Using short-term financing to balance the State's cash flow saved more than \$20 million in interest.

The success of the Early Retirement Program for State employees has led to a new initiative for fiscal year 1994 targeted to save \$66 million in salary

expenses. The Administration's use of the managed attrition program, with savings of \$87 million to date, is anticipating a \$40 million savings in fiscal year 1994.

The Audit has also led to a restructuring of State government, breaking traditional organizational boundaries. Employee training programs have been consolidated, vehicle maintenance operations have been merged to eliminate inefficient sites, and redundant print shops have been closed.

Each agency has scrutinized the Audit recommendations and many have been implemented. Some of the recommendations have resulted in direct budget savings, such as better control of overtime, increased federal funding for State programs, recovery of costs for public services and streamlined organizations. Others have helped maintain essential services despite general funding reductions. Many Audit recommendations have also improved the productivity of agency operations.

The Audit has helped the Administration hold the line on the cost of direct government operations, freeing resources to keep taxes down and increase support for education, property tax relief and aid to local governments. Nearly every state in the nation has contacted the Administration as they look to replicate the success of the Governor's Management Review Commission in their struggles with the national recession.

The Governor's Management Review Commission has provided a blueprint for reshaping government. The Governor's budgets reflect the actions the Administration has taken to rightsize state operations.

# Highlights of Appropriations

## GOVERNOR'S MANAGEMENT REVIEW COMMISSION BUDGET IMPACT SUMMARY

### Budgetary Savings (Thousands of Dollars)

	FY92	FY93	FY94	TOTAL SAVINGS
<b>GOVERNMENT-WIDE SAVINGS</b>				
Pension Restructuring and Other				
Fringe Benefit Savings	\$ —	\$1,340,135	\$ —	\$1,340,135
Early Retirement	65,000		66,000	131,000
Energy Usage	1,880			1,880
Print Shops	2,480			2,480
Professional Service	2,000			2,000
SLI-Sick Leave Injury	2,000			2,000
Sick Leave Usage	4,000			4,000
Tax Delinquency	12,500	70,000		82,500
Telephones	8,300			8,300
Training	5,170			5,170
Vehicle Maintenance	18,000			18,000
Workforce Reduction	47,000	40,000	40,000	127,000
<b>TOTAL GOVERNMENT-WIDE SAVINGS</b>	<b>\$168,330</b>	<b>\$1,450,135</b>	<b>\$106,000</b>	<b>\$1,724,465</b>
<b>DEPARTMENT-SPECIFIC SAVINGS</b>				
Banking	\$ 2,800	\$ 123	\$ —	\$ 2,923
Commerce and Economic Development	260			260
Community Affairs	3,400	2,512		5,912
Corrections	19,270	300		19,570
Environmental Protection and Energy	11,000			11,000
Health	4,560	5,700		10,260
Human Services	16,800	6,000		22,800
Transportation	6,470			6,470
Treasury	20,000			20,000
<b>TOTAL DEPARTMENT-SPECIFIC SAVINGS</b>	<b>\$ 84,560</b>	<b>\$ 14,635</b>	<b>\$ —</b>	<b>\$ 99,195</b>
<b>TOTAL SAVINGS</b>	<b>\$252,890</b>	<b>\$1,464,770</b>	<b>\$106,000</b>	<b>\$1,823,660</b>

RECAP BY SAVINGS TYPE (Thousands of Dollars)	FY92 (\$000)	FY93 (\$000)	FY94 (\$000)	TOTAL SAVINGS (\$000)
DIRECT SAVINGS – PENSION REVALUATION	\$0	\$1,338,135	\$0	\$1,338,135
DIRECT SAVINGS – OTHER RECOMMENDATIONS	\$220,021	\$53,700	\$106,000	\$379,721
REVENUE ENHANCEMENTS	\$27,944	\$72,635	\$0	\$100,579
PRODUCTIVITY SAVINGS	\$675	\$0	\$0	\$675
COST AVOIDANCE SAVINGS	\$4,250	\$300	\$0	\$4,550
<b>TOTAL GMRC INITIATED SAVINGS</b>	<b>\$252,890</b>	<b>\$1,464,770</b>	<b>\$106,000</b>	<b>\$1,823,660</b>

# Highlights of Appropriations

## IMPACT OF STATE APPROPRIATIONS LIMITATION LAW ON APPROPRIATIONS FOR FISCAL YEAR 1993 – 94

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; appropriations required in accordance with a court order; appropriations for 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 year 1994 is computed by multiplying the base year appropriation (fiscal year 1993) 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 4.14 for calculating the fiscal year 1994 cap.

The calculation results in a maximum increase of \$181,901,000 over the fiscal year 1993 Appropriation, or a maximum appropriation of \$4,575,648,000 for Direct State Services for fiscal year 1993–1994. The

Governor's recommendation for fiscal year 1993–1994 is \$4,563,373,000 or \$12,275,000 under the cap limit. Data used to compute the appropriation limit are presented in the accompanying tables.

(\$ millions)	
Fiscal Year 1988	\$164,631
Fiscal Year 1989	\$179,489
Fiscal Year 1990	\$189,059
Fiscal Year 1991	\$196,999
Fiscal Year 1992	\$203,954

According to the U. S. Census Bureau the population for the State for the last four fiscal years is:

Fiscal Year 1988	7,672,000
Fiscal Year 1989	7,713,000
Fiscal Year 1990	7,726,000
Fiscal Year 1991	7,730,000
Fiscal Year 1992	7,760,000

The average per capita personal income for the State and the average percentage change for the last three fiscal years is:

	Average Per Capita Personal Income	Percentage Change
Fiscal Year 1988	\$21,459	—
Fiscal Year 1989	\$23,271	8.45%
Fiscal Year 1990	\$24,471	5.15%
Fiscal Year 1991	\$25,485	4.15%
Fiscal Year 1992	\$26,283	3.13%

# Highlights of Appropriations

## Computation of 1993 Appropriation Subject to Expenditure Limitation Law Percentage (\$ in Thousands)

Appropriations and Adjustments for Fiscal Year 1992-93 .....	\$14,745,366
Less Statutory Exemptions:	
Grants-in-Aid .....	(2,863,458)
State Aid .....	(2,243,827)
Capital Construction .....	(155,000)
Debt Service .....	(444,331)
Property Tax Relief Fund .....	(4,320,891)
Casino Control Fund .....	(57,371)
Casino Revenue Fund .....	(254,241)
Gubernatorial Elections Fund .....	(12,500)
Amount subject to the limitation .....	\$4,393,747

o Fiscal year 1993 base subject to percentage limitation .....	\$4,393,747
o Per capita personal income rate .....	x 4.14%
<b>Maximum increase in appropriation for fiscal year 1994 .....</b>	<b>\$181,901</b>
<b>Maximum appropriation for fiscal year 1994 .....</b>	<b>\$4,575,648</b>
<b>Fiscal year 1994 recommendation .....</b>	<b>\$4,563,373</b>
<b>Amount under the Cap limitation .....</b>	<b>\$12,275</b>

# Components of the Budget

## MAJOR COMPONENTS

The purpose of this section is to serve as a guide to better understanding the budget. Most of the \$15.65 billion budget can be explained by a relatively few major programs or functions. Taken together, they comprise 93 percent of the State budget.

These components, as listed below, are described in this section.

COMPONENTS OF THE BUDGET (\$ in millions)	
School Aid .....	\$4,821
Municipal Aid. ....	1,667 *
Homestead Rebates .....	315
Higher Education .....	1,010
Law and Public Safety .....	402
Environmental Protection and Energy .....	167
Transportation and Transit Subsidy .....	372
Public Health .....	97
Human Services Programs:	
—Economic Assistance .....	551
—Medicaid .....	1,988
—Pharmaceutical Assistance and Lifeline .....	244
—Community Services and Institutional Programs .....	1,074
Corrections and Parole .....	635
Employee Benefits .....	1,172
Public Infrastructure and the Transportation Trust Fund .....	748 **
<p>* Includes \$713 million in dedicated taxes for information purposes. When we speak of these components totalling 93 percent of the budget, we control for this amount. It is not part of the \$15.65 billion total.</p> <p>** As the display indicates, the recommendation for the Transportation Trust Fund is combined with other infrastructure recommendations. A description of this fund appears in the transportation section.</p>	

In addition to the State appropriations listed above, some of these programs entail significant federal and other revenues. These are discussed in the relevant sections.

# Components of the Budget

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## SCHOOL AID

The State provides almost \$4.8 billion—approximately 41 percent of the total cost—for the education of New Jersey's 1.1 million public school children. Aid is distributed for general, on-going education in local districts and to meet the additional costs of pupils with special needs. Taken as a whole, the aid formulas are intended to assure each child a complete education from kindergarten through high school, while promoting greater equity among school districts in their educational spending and property tax rates.

The Quality Education Act (QEA), adopted in 1990 and subsequently amended, substantially revised the method for distributing State school aid. The QEA legislation was in response to the State Supreme Court's decision in *Abbott v. Burke*, which found that poorer urban districts lacked sufficient financial resources to assure that their children would receive the thorough and efficient education required by the State Constitution. The Court decreed that sufficient resources be provided to the poorer urban districts to enable them to spend for regular school programs at the same level as wealthier suburban districts. The QEA defined 30 of the poorest urban areas as special needs districts for purposes of achieving school aid equity.

Foundation Aid is at the heart of the new State aid program. The formula establishes what is considered to be an adequate level of funding for the basic education of each child in the state, regardless of place of residence, and with a "fair" local tax effort for education expected to be levied by each school district. In 1992–1993, the foundation amount for an elementary school child was \$6,742; it was \$7,416 for a middle school pupil, and \$8,967 at the high school level. The foundation amount includes the average costs of teachers' pension and social security payments made by the State.

A foundation budget is calculated for each district, representing the resources necessary to provide every child with a thorough and efficient education. The school district's share of the budget depends upon its ability to pay, which is determined by the relative value of its property and the personal income of its citizens, compared to all other districts in the state. Every school district whose foundation budget exceeds its local fiscal capacity receives Foundation Aid. In effect, State Foundation Aid provides the necessary additional support for the local educational program that the district's own resources are unable to fully support. More than three-fourths of New Jersey school districts receive Foundation Aid.

Other formulas in the QEA provide various forms of categorical aid to districts for the higher costs of their services for handicapped pupils, bilingual students, and pupils who are at risk of school failure due to inadequate family and community resources. Transition Aid assured that all districts received more aid in 1991–1992 than they received in the fiscal year prior to adoption of the QEA, 1990–1991. Transportation Aid supports bus services for students who live far from school, as well as for handicapped pupils. QEA also provides support for vocational schools, debt service, and full funding of teachers' pension and social security assistance programs.

State aid for education also is authorized for other programs, such as adult education, school nutrition, desegregation, other vocational and special education programs, and the education of children in State institutions. Even nonpublic school students benefit from State aid, which offers support for certain activities that meet constitutional criteria as being non-religious.

The continuing economic recession constrains New Jersey's ability to increase State support for education. As described in the section on "Building the Budget," this year the Governor and Legislature agreed on a funding plan for school aid. This agreement will provide about \$115 million in additional Foundation Aid to the 30 special needs districts; all other Foundation Aid districts also will receive increases in lesser amounts. The agreement also provides for a small increase in Transportation Aid, and it permanently restores the State's legal obligation to pay the local districts' contributions for teachers' pensions and social security. Except for minor adjustments, all other QEA aid programs will remain the same, including Transition Aid which had been scheduled for a one-third reduction.

In this Budget, the overall increase in QEA aid programs is 5.6 percent, including a 7.1 percent rise in Foundation Aid, 2.2 percent in Transportation Aid, 13.5 percent in aid for teachers' pensions, and 8.3 percent in social security assistance. Aid for nonpublic schools will also increase by 5.6 percent. The net total increase is \$231.4 million for all school aid.

By refinancing its long-term debt at more favorable interest rates, the State also has been able to make new funds available to local districts for school construction and renovation. For the 1993–1994 school year, this will amount to \$155 million, \$50 million in grants to the special needs districts and \$105 million in low-interest loans to other districts.



# Components of the Budget

## STATE AID FOR LOCAL SCHOOL DISTRICTS CONSOLIDATED SUMMARY GENERAL FUND AND PROPERTY TAX RELIEF FUND (thousands of dollars)

	Expended Fiscal 1992	Appropriated Fiscal 1993	Requested Fiscal 1994	Recommended Fiscal Year 1994		Total
				General Fund	Property Tax Relief Fund	
<b>Quality Education Act of 1990</b>						
Foundation Aid .....	2,061,203	2,370,546	2,538,223	593,458	1,944,765	2,538,223
Categorical Aids:						
Bilingual Education .....	52,250	57,577	57,386	—	57,386	57,386
Aid for At-Risk Pupils .....	244,709	291,835	292,986	—	292,986	292,986
Special Education .....	528,459	581,631	582,500	—	582,500	582,500
County Vocational Education .....	11,333	28,294	28,722	—	28,722	28,722
Local Area Vocational Education .....	767	767	—	—	—	—
Pupil Transportation Aid .....	247,916	258,255	263,849	—	263,849	263,849
Teachers' Pension Assistance .....	607,409	330,570	461,162	—	375,058	375,058
Teachers' Social Security Assistance .....	334,570	362,129	392,129	—	392,129	392,129
Transition Aid .....	115,362	85,558	85,630	—	85,630	85,630
Debt Service Aid .....	76,773	69,945	69,945	—	69,945	69,945
Supplemental Educational Quality Aid .....	25,000	—	—	—	—	—
Quality Education Act Oversight (a) .....	8,866	9,703	10,121	10,121	—	10,121
Subtotal, Quality Education Act .....	4,305,751	4,437,107	4,772,532	593,458	4,092,970	4,686,428
<b>Other Aid to Education</b>						
Nonpublic School Aid .....	58,543	65,884	69,586	69,586	—	69,586
Payments for Children with Unknown						
District of Residence .....	6,224	6,219	6,705	6,705	—	6,705
Minimum Teacher Starting Salary .....	1,044	790	480	480	—	480
Urban Initiative Programs .....	3,000	836	75	75	—	75
Desegregation Aid .....	13,647	14,000	14,000	14,000	—	14,000
Adult & Continuing Education .....	2,389	2,448	2,448	2,448	—	2,448
General Vocational Aid .....	5,504	6,821	6,821	6,821	—	6,821
School Nutrition .....	6,565	6,565	6,565	6,565	—	6,565
Additional School Building Aid						
(Debt Service) .....	17,252	17,136	17,192	17,192	—	17,192
Pension & Annuity Assistance - Other .....	29	7,268	9,680	9,680	—	9,680
Education Information and						
Resource Center .....	504	504	504	504	—	504
State-operated School District						
Differential Aid .....	14,510	24,000	—	—	—	—
Other Aid .....	1,443	200	726	726	—	726
Subtotal, Other Aid to Education .....	130,654	152,671	134,782	134,782	—	134,782
<b>TOTAL</b>	<b>4,436,405</b>	<b>4,589,778</b>	<b>4,907,314</b>	<b>728,240</b>	<b>4,092,970</b>	<b>4,821,210</b>

(a) Shown for informational purposes only; budgeted as Direct State Services.

# Components of the Budget

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## MUNICIPAL AID

Providing financial assistance to municipalities has been one of the most important functions of State government, and the fiscal year 1994 Budget continues a substantial commitment to local government. Total aid to municipalities, both unrestricted and restricted, will amount to \$1.67 billion in fiscal year 1994, most of it in the form of unrestricted aid.

Providing aid without restrictions allows municipalities and counties the flexibility to set their own priorities. Unrestricted aid also uses the State's power to raise broad-based taxes to meet local needs and helps to mitigate inequalities among municipalities arising from differences in their property tax bases and demands for services. Since the federal government eliminated its most flexible aid programs, General Revenue Sharing and the Comprehensive Employment and Training Act (CETA), unrestricted State aid has assumed additional importance in municipal budgets.

In New Jersey, several unrestricted aid programs allocate resources on the basis of common indicators of fiscal need, such as tax rate or tax base differentials and demographic characteristics. Others focus on revenue replacement, using state tax revenue to make up for resources formerly generated by direct local taxation.

Restricted-use State aid helps target resources to particular activities, programs and projects undertaken by local governments, which may be unable to ensure that these goals are met without State assistance. It is also targeted to particular municipalities that, due to local conditions, need additional resources to meet basic service needs and responsibilities.

Both unrestricted and restricted aid programs are crucial to combating excessive reliance on local property taxes to fund public services. In addition, the diverse range of programs provides the flexibility to address both unexpected, short-term needs and more enduring structural problems. Recently enacted programs address inequitable burdens for social service costs, high property tax rates, and urban revitalization.

### Unrestricted Aid

Most State aid to municipalities and counties is in the form of unrestricted aid, totaling \$1.53 billion for fiscal year 1994. Of this amount, \$819 million is funded from major tax and revenue sources and \$713 million is from dedicated taxes. Since fiscal year 1990, unrestricted aid has increased 39 percent (\$430 million), largely as a result of three aid programs begun in 1992: Supplemental Municipal Property Tax Relief Aid (\$360

million), Aid to Densely Populated Municipalities (\$33 million) and Telecommunications Franchise Tax Replacement Aid (\$6.5 million).

The single largest source of unrestricted State aid is the distribution of \$685 million in Public Utility Franchise and Gross Receipts Taxes, from which all of New Jersey's 567 municipalities benefit. The funds are distributed according to a complex formula which returns utility taxes to each municipality based on the value of generation and transmission equipment within its borders, with an upper limit placed on the amount each can receive.

The Supplemental Municipal Property Tax Relief Program is the second largest program, with three components totaling \$360 million. First is a Formula Aid component, \$305 million, which distributes aid to all 567 municipalities through a per capita grant weighted by the municipality's relative property tax rate. The second component, Discretionary Aid, provides \$30 million to allow the State to respond to conditions of fiscal hardship, based upon a review by the State Local Finance Board. About 80 municipalities receive funding from this source. The third component is a \$25 million supplement to the existing Municipal Aid program. (The Municipal Aid program itself allocates \$40.4 million based on a variety of demographic and fiscal indices including total population, AFDC population, and tax rate and tax base measurements. Fifty municipalities receive assistance from Municipal Aid and its supplement.)

Municipal Revitalization Aid, \$165 million, directs aid to municipalities that display the most severe conditions of fiscal and economic hardship and the greatest need for fiscal assistance. To receive this discretionary aid, a municipality must apply to and receive the approval of the Local Finance Board; 46 municipalities have done so.

Business Personal Property Tax Replacement Aid, \$158.7 million, provides funds to all 567 municipalities to compensate them for the loss of revenue that occurred when business personal property was exempted from local taxation. This program was originally funded from a group of dedicated business tax revenues which have since been repealed or modified, and is now funded from general resources.

Aid to Densely Populated Municipalities, \$33 million, is directed to the most densely populated municipalities in the most densely populated counties in the state, but which are ineligible for Municipal Aid. Twenty-six

## Components of the Budget

municipalities benefit from this program; the aid they receive helps defray the high cost of basic municipal services which tends to result from high population density.

Municipal Purposes Tax Assistance Aid allocates \$30 million to approximately 380 municipalities, divided into two groups designated as qualifiers and participators. Qualifiers, municipalities with the highest tax rates and smallest tax bases, receive about 85 percent of the funds, with participators, which reflect less severe but nevertheless significant tax conditions, receiving the

balance. Funds are allocated within each group based on population weighted by tax base.

Payments in Lieu of Taxes on State Property totaling \$23.5 million serve to counteract the erosion of local tax bases and defray the added cost of municipal services caused by the presence of State facilities. Of this total, \$13.5 million is allocated under a statutory formula compensating municipalities for a variety of State properties and facilities. The balance is targeted to municipalities with facilities which produce extraordinary needs not adequately met by the standard formula.

<b>Unrestricted State Aid Programs</b>	
(In Millions)	
<b>Program</b>	<b>Fiscal Year 1994 Funding</b>
<b>Budgeted Programs:</b>	
Supplemental Municipal Property Tax Relief Aid* .....	\$ 360.0
Municipal Revitalization Aid .....	165.0
Business Personal Property Tax Replacement Aid .....	158.7
Municipal (Urban) Aid .....	40.4
Aid to Densely Populated Municipalities* .....	33.0
Municipal Purpose Tax Assistance .....	30.0
Payments in Lieu of Taxes on State Property .....	23.5
Payments to Replace Telecommunications Franchise Taxes* .....	6.5
All Other .....	2.2
Subtotal .....	819.3
<b>Distributions of Dedicated Taxes:</b>	
Franchise and Gross Receipts Taxes .....	685.0
Insurance Premiums Taxes .....	23.3
Financial Business Taxes .....	4.4
Subtotal .....	712.7
<b>Total</b> .....	<b>\$ 1,532.0</b>

\* New in Fiscal Year 1992

# Components of the Budget

## Restricted Aid

The State's interest in supporting specific local programs and services is demonstrated by restricted or categorical aid. This form of State-local partnership is an important means of attaining mutually desired public service goals while respecting specific local needs and conditions.

The State Constitution provides deductions from property tax bills for veterans and qualified senior citizens, disabled citizens and their surviving spouses. Veterans receive a \$50 deduction, while seniors and disabled homeowners receive \$250. The State annually reimburses municipalities for the cost of these deductions, estimated at \$58.9 million for fiscal year 1994.

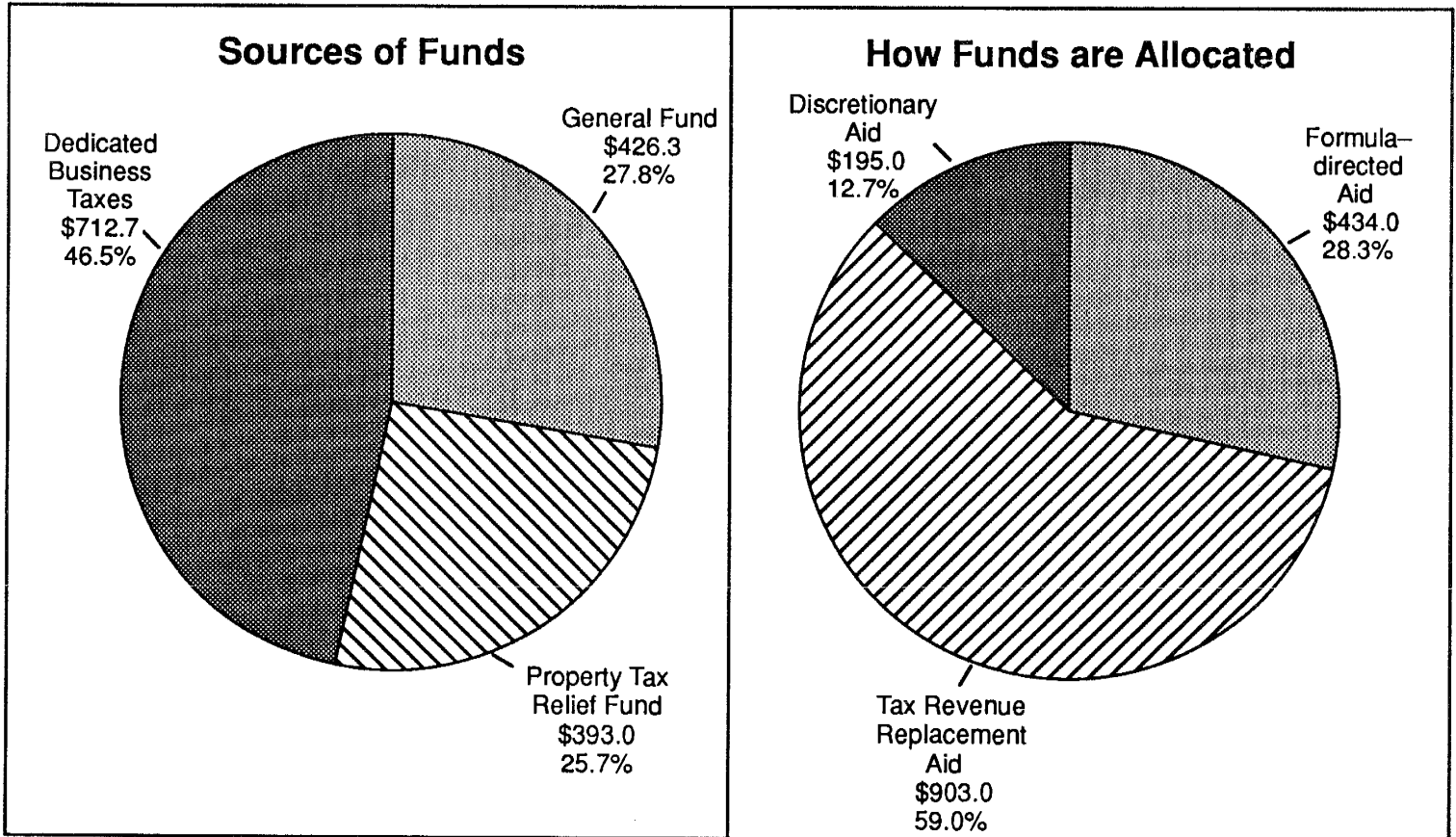
Restricted aid programs funded through the Department of Community Affairs are particularly important to

meeting basic community needs. The Safe and Clean Neighborhoods program, \$25 million, directs funds to municipalities that receive Municipal Aid, permitting them to enhance local fiscal efforts to provide police protection, recreation facilities and public works services. Expanded Police Services Aid, \$25.9 million, and Supplementary Fire Services Aid, \$8 million, both target 65 percent of their resources to these same communities to further enhance basic public safety services. The balance of funds is shared by most other communities for added public safety services. Fair Housing Aid, \$13.9 million, allocates a portion of the State tax on real estate transfers to municipalities who are striving to meet affordable housing requirements. Neighborhood Preservation, \$2.75 million, supports multi-year grants to selected municipalities to rejuvenate older neighborhoods. Both residential and commercial districts are improved through a mixture of approaches that closely involve community residents.

### Major Restricted Aid Programs (In Millions)

Program	Fiscal Year 1994 Funding
Veterans' and Senior/Disabled Citizens' Property Tax Deductions .....	\$ 58.9
Safe and Clean Neighborhoods Aid .....	25.9
Expanded Police Services Aid .....	25.0
Fair Housing Aid .....	13.9
Supplementary Fire Services Aid .....	8.0
Neighborhood Preservation .....	2.8
<b>Total</b> .....	<b>\$ 134.5</b>

**UNRESTRICTED AID  
TO COUNTIES AND MUNICIPALITIES  
Fiscal Year 1994  
(In Millions)**



# Components of the Budget

## THE HOMESTEAD REBATE PROGRAM

The Homestead Rebate Program is a key element of the State's property tax relief agenda. It emphasizes tax relief by direct payment to individual households. By employing income tests and tax burden measurements, the program is designed to be progressive and to focus most of its impact on the state's neediest households.

The dimensions of the program in fiscal year 1993 were smaller than those of the previous year. The fiscal year 1992 program was also more progressive, providing higher rebates to the state's neediest households. In fiscal year 1992, approximately 2.46 million rebate claims were honored, and all households with income up to \$100,000 received some benefit. In contrast, in fiscal year 1993 only 1.64 million households received rebates due to more stringent eligibility standards and other changes. With the exception of senior and disabled citizens, all households received reduced benefits compared to what they would have received under the previous year's program.

For senior and disabled citizens the program continues to be a significant source of tax relief. If their household income does not exceed \$70,000, they may receive property tax rebates of up to \$500. The rebate follows the "circuit-breaker" principle, with the rebate equal to the amount by which property taxes exceed five percent of household income. Regardless of the outcome of the calculation, senior and disabled homeowners are

guaranteed a minimum rebate of \$150 and tenants a minimum of \$65. Senior and disabled citizens with incomes between \$70,000 and \$100,000 receive a flat grant of \$100 if they are homeowners and \$35 if they are tenants. In fiscal year 1993, more than 619,000 of these households received rebates totaling \$265 million. Rebates averaging \$452 went to 465,000 senior and disabled homeowners. Senior and disabled tenant households were granted average rebates of \$354.

All other households whose income does not exceed \$40,000 also receive rebates. In these circumstances, homeowners receive a fixed amount of \$90 and tenants receive a fixed amount of \$30. Approved claims for these households totaled more than one million in number worth \$50 million; 385,000 homeowners received \$32 million in rebates, while 634,000 tenant households received \$18 million.

The fiscal year 1994 Budget again provides \$315 million for the program, continuing it at the same reduced scale established for fiscal year 1993. This will maintain the present concentration of benefits to senior and disabled citizens, while providing some assistance to other households of limited means. For all these households, the program provides a needed counterbalance to onerous property tax burdens which can threaten their economic security.

### CHANGE IN HOMESTEAD REBATES FISCAL YEAR 1992-FISCAL YEAR 1993

	HOME- OWNER #	HOME- OWNER \$\$ (in millions)	HOME- OWNER AVERAGE	TENANT #	TENANT \$\$ (in millions)	TENANT AVERAGE	GRAND TOTAL #	GRAND TOTAL \$\$ (in millions)	GRAND TOTAL AVERAGE
<b>All Households</b>									
FY 1993 .....	850,598	\$242.8	\$285.40	788,463	\$72.2	\$91.51	1,639,061	\$315.0	\$192.16
FY 1992 .....	1,553,476	\$524.2	\$337.41	906,167	\$183.1	\$202.06	2,459,643	\$707.3	\$287.55
CHANGE '92-'93	(702,878)	(\$281.4)	(\$52.01)	(117,704)	(\$110.9)	(\$110.55)	(820,582)	(\$392.3)	(\$95.39)
<b>Senior &amp; Disabled Households</b>									
FY 1993 .....	465,413	\$210.6	\$452.42	153,899	\$54.4	\$353.50	619,312	\$265.0	\$427.85
FY 1992 .....	431,040	\$195.9	\$454.40	132,806	\$44.9	\$338.46	563,846	\$240.8	\$427.09
CHANGE '92-'93	34,373	\$14.7	(\$1.98)	21,093	\$9.5	\$15.04	55,466	\$24.2	\$0.76
<b>All Other Households</b>									
FY 1993 .....	385,185	\$32.2	\$83.58	634,564	\$17.8	\$27.98	1,019,749	\$50.0	\$48.98
FY 1992 .....	1,122,436	\$328.3	\$292.49	773,361	\$138.2	\$178.64	1,895,797	\$466.5	\$246.07
CHANGE '92-'93	(737,251)	(\$296.1)	(\$208.91)	(138,797)	(\$120.4)	(\$150.66)	(876,048)	(\$416.5)	(\$197.09)

## HIGHER EDUCATION

The fundamental purpose for supporting New Jersey's higher education system is to ensure that the state's continuing and long-term educational and workforce needs are satisfied. The state's economy is more competitive with a college-educated population. Future economic growth will depend on new technologies developed through university research. Higher education provides job training and other career advancement opportunities for the state's citizens. New Jersey's colleges and universities provide comprehensive educational services and are major employment centers.

Direct funding for higher education in New Jersey totals \$1,009.7 million. Assistance to higher education includes subsidies of \$663 million to the autonomous, public institutions: Rutgers, the State University; the University of Medicine and Dentistry of New Jersey (UMDNJ); the New Jersey Institute of Technology (NJIT) and nine state colleges. Approximately \$161 million in direct assistance to students is provided from several sources, primarily the Tuition Aid Grant and the Educational Opportunity Fund programs. Subsidies for the county colleges total \$114.6 million, largely for their educational and related expenses. The independent colleges and universities are expected to receive \$27 million in fiscal year 1994.

### Accessibility and Affordability

A college education has become one of the most expensive items in a family's budget. Tuition increases have outpaced inflation in an effort to meet the rising costs of higher education. The Tuition Aid Grant (TAG) program, funded at \$121.3 million, is designed to keep college accessible and affordable for students who are New Jersey residents. These grants provide tuition assistance based on financial need, with maximum awards being provided to the neediest students. The Budget supports funding for 58,000 students—all those eligible—and represents a 16 percent increase over fiscal year 1993 levels, and a 34 percent increase over fiscal year 1992. Higher unemployment and reduced ability to pay full-time college costs, both results of the continuing economic recession, have led to these repeated increases. The TAG program will cover 1992–1993 tuition costs at both public and private colleges. For the second year, the Tuition Stabilization Incentive Grant Program (\$30 million) will provide assistance to colleges that do not exceed a tuition increase of 5 percent. The Equal Opportunity Fund program provides direct grants and support services to educationally and economically disadvantaged students from the state's urban areas (\$29.6 million).

New Jersey College Loans to Assist State Students (NJCLASS), a supplemental loan program, provides an alternative source of financing collegiate education for middle-income families in New Jersey. It offers a 15-year fixed-rate loan of up to \$7,000 a year with a \$35,000 cumulative maximum. The creation of the Unsubsidized Federal Stafford Loans for Middle-Income Borrowers program at the federal level will aid all New Jersey students, regardless of family income.

### College and University Support

The State's public colleges and universities operate autonomously in most areas. Each has its own board of trustees and develops and conducts its own educational programs within broad policy guidelines established by the Board of Higher Education. The senior institutions receive State appropriations for educational and related functions, which subsidize approximately 60 percent of the costs. Students share the remaining cost through payment of tuition and various fees. The senior public institutions are estimated to have 126,568 students—an equivalent of 89,777 full time—enrolled in 1993–1994. The average State support per full-time student is expected to be about \$5,018.

A number of New Jersey's senior public institutions have been recognized for their achievements. For example, Trenton State College and Rutgers University–Camden are ranked among the top fifteen colleges and universities in the North region of the nation for low costs and high academic standards. Several of Rutgers' graduate programs are ranked among the best in the country, and the University currently ranks in the top third of public institutions in the American Association of Universities with faculty represented in the National Academy of Sciences. The University of Medicine and Dentistry of New Jersey has achieved national prominence in AIDS-related research. The University is also working with other hospitals to establish a comprehensive cancer treatment center in central New Jersey. And the New Jersey Institute of Technology was recently accredited by the Middle States Association through the year 2002, endorsing its mission as an urban technological research university. Its Center for Pre-College Programs has become a national model, serving 3,000 local elementary and high schools, primarily minority students, through 30 programs supported by 30 corporations. On September 1, 1992, Glassboro State College was renamed Rowan College of New Jersey as an expression of appreciation for an exceptional endowment of \$100 million provided to the college during the summer of 1992 by Mr. and Mrs. Henry Rowan. It is the largest gift ever made to a public college or university.

# Components of the Budget

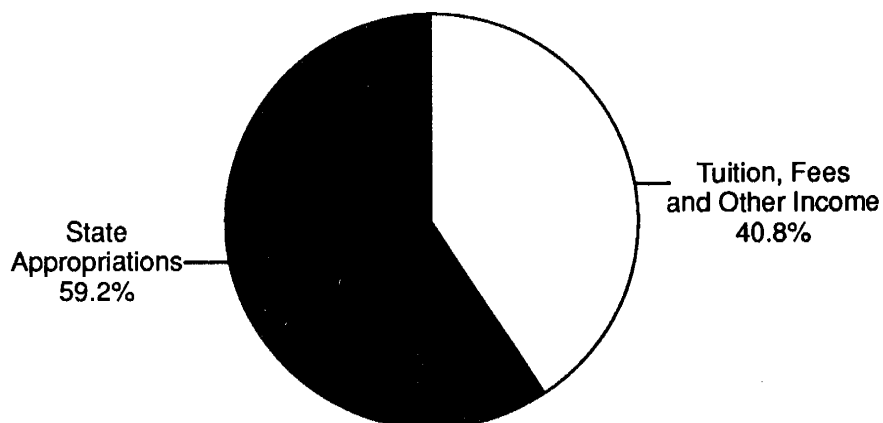
The community college system, consisting of 19 colleges, is funded jointly by the State and the individual counties. These colleges, which enroll more than 132,000 full-time and part-time students a year, provide access to higher education for a broad range of people who would otherwise be denied the advantages associated with a college education. The colleges receive more than \$114 million in State aid to match contributions made by the counties to their respective county community colleges. Most of the State aid directly supports the operational costs of the community colleges. Aid also meets about half of the debt service on bonds sold by counties to construct community college buildings, and it pays for part of the employee benefits provided to community college faculty and

staff. The community colleges are playing a major role in the new Workforce Development Partnership Program by assisting with job training initiatives throughout the state.

The 27 independent institutions in New Jersey receive funding through the Independent College and University Assistance Act. Aid to independent institutions is distributed according to a formula that is linked to the changes in the amount of the State's subsidy of the state college system. These funds are primarily used by the institutions to provide financial assistance to their students. The independent colleges will receive approximately \$21.1 million from this program in fiscal year 1994.

FISCAL YEAR 1994 NET STATE APPROPRIATION FOR HIGHER EDUCATION INSTITUTIONS (thousands of dollars)			
Thomas A. Edison State College .....	3,692	Rutgers, The State University .....	226,832
Rowan College of New Jersey .....	28,867	Agricultural Experiment Station .....	19,110
Jersey City State College .....	25,239	University of Medicine and Dentistry of New Jersey .....	165,111
Kean College of New Jersey .....	27,724	New Jersey Institute of Technology .....	40,010
William Paterson College of New Jersey .....	30,909	Total Universities .....	451,063
Montclair State College .....	35,500		
Trenton State College .....	28,267		
Ramapo College of New Jersey .....	15,239		
Richard Stockton State College .....	16,518		
Total State Colleges .....	211,955	Total Appropriation .....	663,018

## FISCAL YEAR 1994 SUPPORT OF EDUCATION AND GENERAL SERVICES AT STATE COLLEGES AND UNIVERSITIES\*



\*Excludes University of Medicine and Dentistry of New Jersey and the Agricultural Experiment Station because of their unique funding.



## LAW AND PUBLIC SAFETY

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. Law Enforcement and Motor Vehicle Services comprise more than 80 percent of the Department's operating budget, recommended at \$344.6 million for fiscal year 1994. The Department is also responsible for protecting consumers and civil rights; providing legal services to State agencies; and regulating the alcoholic beverage, boxing, and racing industries. Funded from the receipts of New Jersey's casino industry, \$34.3 million is recommended for the Division of Gaming Enforcement to continue to meet its responsibilities required by the Casino Control Act. In addition, three 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; and the Violent Crimes Compensation Board. The Gubernatorial Election Fund, recommended at \$7.8 million, will provide funds to the gubernatorial candidates who qualify for public matching funds.

### Law Enforcement

The fiscal year 1994 recommendation for the Division of State Police, \$147.1 million, includes \$2.4 million for a full year of salaries and maintenance for the 92 graduates of the 113th State Police recruit class. Another \$2.8 million is included for the training and salaries of the 114th State Police recruit class, which is projected to graduate in spring of 1994. Both of these classes will assist in such vital areas as the investigation, arrest, and prosecution of organized crime and racketeering, narcotics, and white-collar crime. In addition, support will also be provided to ongoing 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 our citizens.

The Division of Criminal Justice, Office of the State Medical Examiner, and Narcotics, Organized Crime, and Racketeering programs provide less visible but equally important functions, such as investigation of all violent and suspicious deaths, enforcement of the State's antitrust laws, and prosecution of criminal activities in the state. In fiscal year 1994 the combined recommendation for these three programs is \$27.9 million, providing them with the ability to continue their current level of activities.

In addition, \$15 million is recommended for the Police/Community Partnership Program, a comprehensive and integrated approach to making New Jersey's streets and communities safer. This new State aid program will provide funding for the removal of violent offenders from the streets, community-oriented policing programs, development of safe haven/community centers, and neighborhood revitalization through economic development activities.

### Motor Vehicle Services

The fiscal year 1994 Budget recommends \$107.3 million for the Division of Motor Vehicles, 31 percent of the Department's total budget. This amount will support 49 motor vehicle agencies, four regional service centers, and 35 inspection stations, which provide registration and inspection services for all New Jersey motor vehicles. It will also continue overtime and evening hours at inspection stations and motor vehicles agencies.

The Division also administers driving and vision tests for new drivers in the state. The federally mandated Commercial Motor Vehicle Safety Act requires the Division of Motor Vehicles to test commercial truck drivers in the state. Approximately 60,000 drivers will be subject to a written and/or road test to ensure truck safety on the state's roadways. Other functions include removing dangerous drivers from the road and educating and rehabilitating suspended drivers.

In fiscal year 1994, the Division will continue to operate a very aggressive uninsured motorist program. It will be responsible for verifying automobile liability insurance for every driver in the state and for providing vehicle odometer readings to the state's insurance industry to be used as a criterion for developing automobile insurance rates. In addition, the Division continues to concentrate on the implications of the Clean Air Act of 1990 and the privatization of New Jersey's Motor Vehicle Services.

### Citizens' Rights

A total of \$31.5 million is recommended in fiscal year 1994 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 violent crimes. The Division on Civil Rights continues to promote outreach by providing educational and

## *Components of the Budget*

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preventive information and programs to clients. Complaints or disputes related to equal opportunity in employment, housing, public accommodations and the extension of credit or making of loans are investigated and either resolved or recommended for prosecution.

The State Professional Boards, which regulate the practices of the respective professions, occupations and trades, protect consumers by prescribing standards of conduct and performance. The Boards also conduct hearings regarding statutory provisions and determine penalties for violators. Among the professions regulated are accountants, dentists, electrical contractors and plumbers.

### **Legal Services**

The Division of Law, which provides a wide range of legal services to all State agencies, is recommended at \$17.1 million. In addition, the Division is involved in litigation supported by dedicated funds and fees.

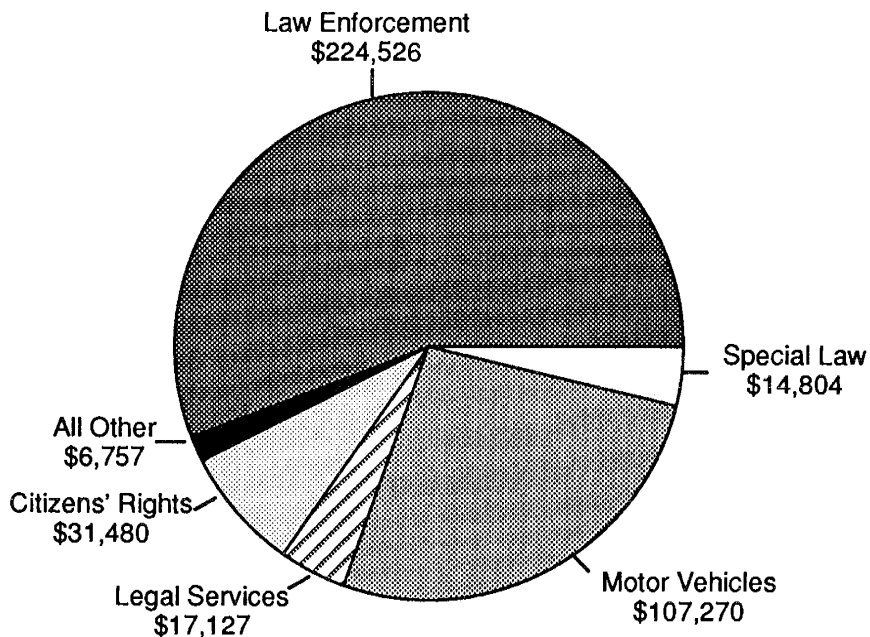
Two legal battles are related to the insurance reform program. The first is the suit being brought by the Attorney General against the insurance companies responsible for collecting premiums and paying claims

as part of the Joint Underwriters Association (JUA). The second involves the defense of the State of New Jersey against numerous suits initiated by the insurance companies and other groups assessed through the Fair Automobile Insurance Reform (FAIR) Act's proposed plan to liquidate the existing debts of the JUA.

Since 1992, the Division of Law has been involved in a concerted effort to collect delinquent taxes and to perfect the State's right to unclaimed property and escheats, particularly in those cases requiring legal actions. Known as the "Cheater-Beater" program, this is a joint effort with the Division of Taxation. As of December 1992, more than \$50 million has been collected for fiscal year 1993.

In conjunction with the Department of Environmental Protection and Energy, the Division provides legal support for the enforcement of environmental regulations, such as those under the Clean Water Enforcement Act and the Cost Recovery Program. This involves maintaining enforcement/penalty actions related to discharge permits and recoveries of monies expended by the State for hazardous substance clean-up from responsible parties.

**NEW JERSEY  
DEPARTMENT OF LAW AND PUBLIC SAFETY  
(thousands of dollars)**



**FISCAL YEAR 1994 BUDGET**

# *Components of the Budget*

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## DEPARTMENT OF ENVIRONMENTAL PROTECTION AND ENERGY

While a general consensus exists that the environment must be safeguarded, opinions vary over what level of protection is necessary. The practical effect of implementing environmental policy often involves tradeoffs on other sensitive issues, such as the pace of economic growth and the level of acceptable health risk. The agency charged with striking this balance is the Department of Environmental Protection and Energy (DEPE), whose fiscal year 1994 recommendation totals \$167 million (excluding capital), a reduction of \$3 million from fiscal year 1993.

The Department's programs fall into four broad categories: regulation of pollution discharges, site cleanup or remediation, utility rate regulation, and preservation of natural resources.

### **Regulating Pollution**

Pollution threats to the environment take a variety of forms, including waste discharges from industrial and commercial activity, sewage flow, stormwater runoff, and naturally-occurring radon gas. To protect the public health, DEPE regulates pollution loads through programs in Air Pollution, Water Resources, Pesticides, Radiation, and Solid Waste, which mirror the various sources of pollution. Each program typically has a planning, permitting, and enforcement component. Collectively, these programs will receive a State appropriation of \$65 million in fiscal year 1994, or 39 percent of DEPE's total State budget.

The Department's regulatory foundation for all of these programs is rooted in science, principally through the use of risk assessment techniques to establish health standards that minimize human exposure. Traditionally, DEPE implemented these standards through control measures, containment, and remediation. This approach often placed the Department in an adversarial position with the regulated community and resulted in enforcement actions that lingered long after the pollution had occurred. In recent years, DEPE has recognized that common ground exists between environmental and economic goals, and that emphasis on this interdependency could yield solutions that are more comprehensive and equitable than those forged by strict enforcement of prescribed standards.

These principles are best reflected in DEPE's Pollution Prevention program, which was signed into law in August 1991. Pollution Prevention identifies ways to reduce or eliminate waste from industrial operations

before it is generated. Working cooperatively with businesses, DEPE suggests how manufacturing processes may be changed to recycle and reuse raw materials, or to substitute environmentally benign alternatives. These changes often yield a cost savings to industry, particularly when the avoided costs of waste disposal are considered. When program regulations are adopted in the spring of 1993, DEPE will begin to phase in formal Pollution Prevention plans for a total of 800 manufacturers, with the goal of reducing emissions by at least 50 percent by 1996.

DEPE also faces a major regulatory challenge to improve air quality since, under the federal Clean Air Act Amendments of 1990, most of New Jersey has been designated as a "severe" area for ozone pollution, second only to Los Angeles, California. Carbon monoxide levels are also significantly above the health standard. Though air pollution poses a pervasive health risk which affects every state resident to some degree, the benefits of cleaner air are not widely understood. Over the long term, ozone has a particularly harsh effect on the respiratory systems of the very young and the elderly, increases the number of asthma attacks, and has been linked to lung damage among outdoor exercisers. Carbon monoxide also poses a serious threat by reducing the amount of oxygen in the blood, thereby burdening the heart and endangering people with cardiac and circulatory problems. Air pollution yields tangible economic losses as well, including lost productivity due to increased sick time and higher medical costs.

DEPE has already implemented several restrictions on air emissions, including installation of special nozzles on gas station pumps to recover fuel vapors, and changes in gasoline composition and transfer operations to reduce evaporation. Due in part to these measures, the annual number of days that ozone levels exceeded the health standard in New Jersey dropped by 15 days or 43 percent from the ten-year average of 35 days during the 1980s to the three-year average of 20 days from 1990 to 1992. More recently, DEPE required oxygenation of motor fuel during winter months, which improves engine combustion and should contribute up to 20 percent of the total 54 percent reduction in carbon monoxide needed to comply with Clean Air Act standards by 1995. Unfortunately, the full impact of past emission reductions was partly negated by rapid economic growth during the 1980s, as well as a steady

increase in driving, particularly for trips between scattered job and housing locations that typify the pattern of development and suburban character of New Jersey. Thus, while some progress has been made, a significant gap still exists between the current level of air emissions and the Clean Air Act standard.

In November 1992 DEPE submitted the first portion of its plan to deal with this gap to the federal Environmental Protection Agency. These measures are mandated for New Jersey due to its "severe" air quality. Most significantly, large industrial emitters will update their pollution control systems to incorporate available technologies. Industries in non-compliance areas that plan to grow will provide emission offsets from existing facilities. Firms with 100 or more employees will decrease commuting traffic during peak periods through ridesharing and vanpooling. And cars will be tested with an enhanced inspection system that more accurately measures emissions produced by actual driving conditions, rather than at idle.

These measures are not sufficient to satisfy Clean Air Act goals, however. Optional strategies will be identified in future plan revisions in 1993 and 1994, possibly including low emission vehicles and incentives for scrapping old cars. Controls on household items may also be needed, which is perhaps best exemplified by the fact that a gas-powered chain saw operated for two hours produces as much pollution as a new car driven 3,000 miles.

The clean air issue involves tradeoffs affecting business, personal lifestyles, and growth patterns, which DEPE will need to balance throughout the 1990s.

### Site Remediation

The fiscal year 1994 Budget recommends \$33 million for staff costs associated with the cleanup of toxic substances, which represents 20 percent of DEPE's total State budget. All of these funds are derived from non-tax sources such as fees, the Spill Compensation Fund, and cost recoveries from responsible parties, and thus the activities pose no burden on State general revenues.

Actual cleanups, which typically are performed by private contractors, are also funded predominantly from non-State sources. In fiscal year 1994, DEPE will authorize a total of \$267 million for more than 51 cleanup projects as well as emergencies and unforeseen cases of immediate environmental concern. This amount includes \$173 million in non-State funds, principally \$153 million in federal Superfund grants

(including projects administered by the federal EPA), with \$13 million coming from the Spill Fund and \$7 million from other sources. Also included are \$94 million in State bonds, subject to possible revision due to pending legislation (S-1070) that redirects bond proceeds to support privately-funded cleanups. State bonds are typically used to provide the State match required for Superfund grants or to accelerate cleanups where the responsible party either cannot be identified or has stalled cleanup negotiations. In this last case the State may seek damages in court for up to three times its actual cost.

In addition to these funds, DEPE will also oversee cleanup projects supported by approximately \$800 million in financial guarantees provided directly by responsible parties. Thus, a total of over \$1 billion worth of public and privately-funded cleanup projects will move forward in fiscal year 1994.

### Utility Rate Regulation

In August 1991 the Board of Regulatory Commissioners (formerly the Board of Public Utilities) was merged into DEPE. The Board regulates rates for such essential services as natural gas, electricity, water and sewer, and telecommunications, and will receive a State appropriation of almost \$11 million in fiscal year 1994, all of which is derived from assessments on the regulated utilities. In recent years, the issues confronting the Board have increased in complexity, due in part to rapid changes in technology, such as new telecommunications opportunities spawned by development of fiber optic systems, as well as fundamental changes in the energy industry, such as the proliferation of small co-generation plants, the sale of energy to out-of-state utilities, and restructuring of utility rates to encourage energy conservation. Since New Jersey residents now spend nearly \$4 billion per year to heat and cool their homes, these issues often carry major cost implications for the homeowner. Utility costs and regulation are also major factors in business decisions, so actions of the Board affect New Jersey's ability to retain and attract industry.

### Natural Resources

The Department's fiscal year 1994 Natural Resources budget is \$45 million, 27 percent of DEPE's total State budget. As an illustration of the importance of fee revenue to the DEPE, dedicated fees totaling \$11 million support the activities of Marina Operations and Fish and Game, while \$34 million from general revenues pay for Forest Management, Parks, and Shellfish Management. When dedicated fees are

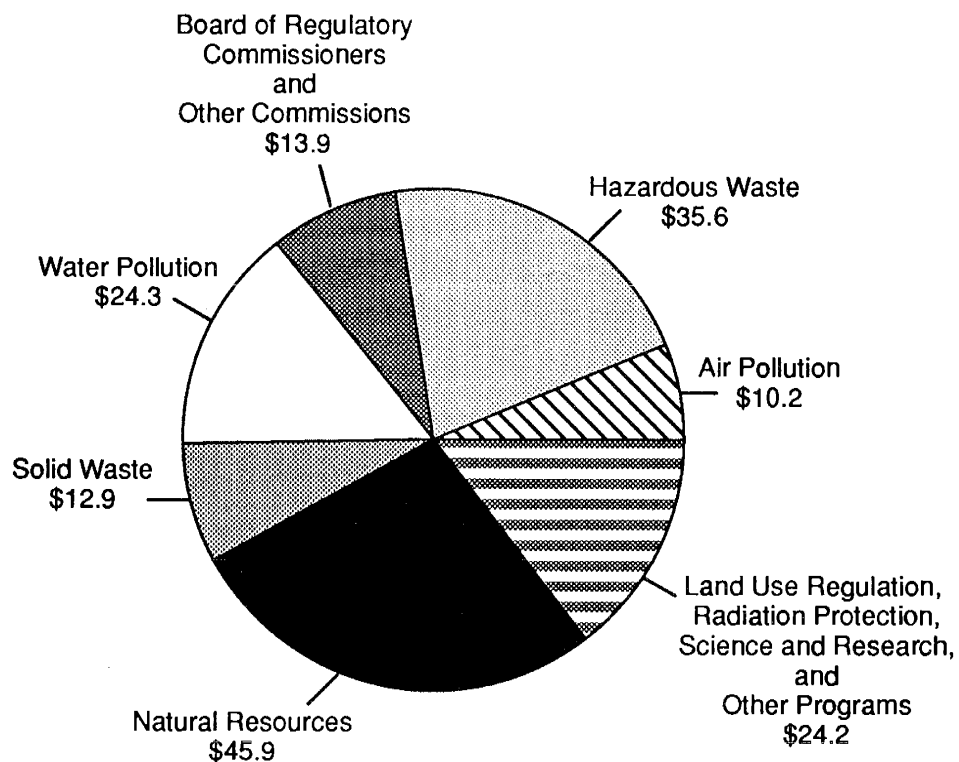
## Components of the Budget

removed, the \$34 million for Parks and Forests represents 77 percent of all DEPE funds derived from State general revenues.

Historically, DEPE has used bond funds to upgrade natural resource facilities and expand recreational opportunities. Of the 21 bond funds actively administered by DEPE, 13 address natural resource needs, such as shore protection, open space preservation, flood control, dredging, dam restoration, and water supply. The open space issue has received particular attention,

as from 1961 to 1992 the State's voters authorized eight separate Green Acres bond issues. Proceeds from these bonds will preserve approximately 300,000 acres of land, or about 47 percent of the 640,000 acre goal for new open space acquisition identified in the DEPE's master plan. Of the total acres acquired, the Governor has approved the purchase of 37,500 acres valued at \$263 million, including 175 projects at the local level, and for the first time has provided land acquisition grants to nonprofit organizations.

### DEPARTMENT OF ENVIRONMENTAL PROTECTION AND ENERGY FISCAL YEAR 1994 BUDGET (\$ in Millions)



**Total \$167**

## TRANSPORTATION

The transportation system of New Jersey is one of the critical success factors for our economic well-being. New Jersey is at the geographic center of the largest continuous metropolitan region of the country and has developed an extensive network of highways and feeder roads to support its business and industry. As an economic instrument, investment in the transportation infrastructure not only stimulates the economy in the short term, with each \$100 million investment in transportation infrastructure resulting in the creation of 3,000 jobs, but it also makes our region an attractive business location for the production and distribution of goods.

The Department's mission is to build, operate, maintain and regulate the State's transportation system. This mission has evolved during the last decade from a primary focus on building and maintaining highways to promoting public transit use and ridesharing, and squeezing additional capacity from the existing highway system through high technology traffic management, computerized message, and electronic toll systems. In addition, controlling access to the State highway system, regulating billboards, and bus and rail safety have become major concerns. However, the Department also regularly resurfaces or reconstructs aging roads and bridges, expands existing highways to relieve congestion, upgrades and repairs traffic signals and highway lighting units, and plans for the State's future transportation needs. Through the New Jersey Transit Corporation, the third largest public transit entity in the country, 273,000 daily passengers are transported along 12 rail lines and 152 bus routes throughout the state.

The Department of Transportation's budget totals \$555 million and has three major components. The \$101 million operating budget funds roadway maintenance, the planning and engineering activities related to the capital program, regulatory activities and Department administration. The public transportation subsidy, \$251 million, offsets the cost of fares, making public transportation a cost-effective alternative. The final major component of the DOT budget is the State contribution to the Transportation Trust Fund (TTF), \$183 million. The original fiscal year 1993 appropriation to the TTF of \$331 million was later reduced to \$155 million. The fiscal year 1994 recommendation will increase this amount by \$28 million. Due to a restructuring of the financing of the TTF the size of the capital program is not affected and

remains at \$565 million. The Budget continues to emphasize preservation of infrastructure, new public transit services and improvements, and "high tech" traffic management to promote both mobility and the improvement of air quality.

DOT's fiscal year 1994 operating budget is \$101.4 million, and contains no program reductions. The recommended funding maintains the Department's core activities, and within the recommendation, reallocates some additional funding toward snow removal above fiscal year 1993 levels. Increased non-State resources as well as the use of toll road authority investments as matching funds for federal grants will offset some of the past State funding reductions in both capital program development and highway maintenance.

New Jersey's continued commitment to public transportation is demonstrated by the support to New Jersey Transit of \$251 million in public transit subsidy, the same level as fiscal year 1993. This will allow NJ Transit to maintain current service levels with no fare increase for the third consecutive year and to expand paratransit services under the Americans with Disabilities Act for state residents that are unable to use existing public transit services.

The capital program, which is funded through the Transportation Trust Fund, will be one of the largest in the Department's history, well over \$1 billion dollars when combined with funding from the federal government. Preservation of existing infrastructure will be targeted, with particular emphasis on rehabilitation and replacement of bridges on both State and local roads. Other investments in traffic management systems and motorist advisory systems will relieve congestion and safety problems through more efficient movement of traffic, thus avoiding the need for costly roadway expansion. Additional investment in public transit facilities and equipment will provide additional options for New Jersey commuters. The overall goal of improving the mobility of New Jersey citizens is directed in a way that will also result in improved air quality for the state.

### Transportation Trust Fund Changes

After a decade of declining transportation infrastructure investment, the State established the Transportation Trust Fund in 1984. The Transportation Trust Fund pays for the State's share of highway, bridge, public transportation and local government road and bridge

# Components of the Budget

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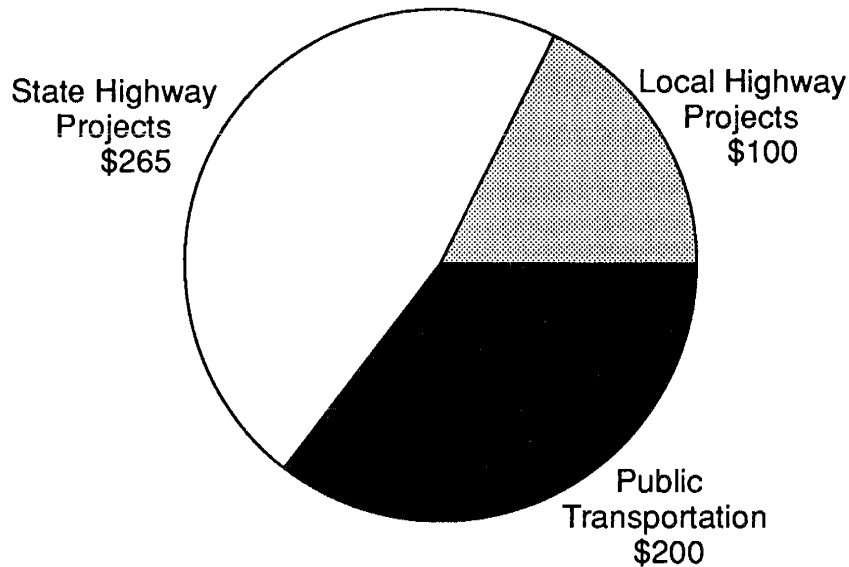
projects. The Transportation Trust Fund Authority issues bonds to supplement the State's contributions to the Fund and is authorized to incur bonded indebtedness at any one time up to \$1.7 billion.

In fiscal year 1993, the State decided to reduce its appropriation to the Transportation Trust Fund by \$176 million (from \$331 million to \$155 million). In previous years, when the State had the resources to make large contributions to the Transportation Trust Fund, the capital program issued by the Department was funded from a blend of pay-as-you-go financing as well as bonds. The lowered appropriation will not

restrict the size of the capital program, however. Instead, the fiscal year 1994 appropriation will be supplemented with revenue from the sale of Transportation Trust Fund Authority bonds to allow the Department of Transportation to fund the maximum allowable capital program of \$565 million.

Thus, by utilizing the bonding capacity of the Transportation Trust Fund Authority in fiscal year 1994, the State can maintain its commitment to investment in infrastructure and economic recovery while focusing revenues on critical programs that have no funding flexibility.

## NEW JERSEY TRANSPORTATION TRUST FUND FISCAL YEAR 1994 (\$ Millions)



**EXPENDITURES – \$565 MILLION**



## PUBLIC HEALTH

Beginning with the traditional public health concerns of maintaining a record of births and deaths and detecting and preventing the spread of communicable diseases, the mission of the Department of Health has evolved into fostering accessible, affordable health care for all residents of New Jersey. In the process, the Department has been confronted with significant changes in the scope and complexity of public health problems, of which AIDS is a prime example. Promoting public health in this context involves not only preventing disease but also promoting community awareness and action, and protecting those at special risk.

No one is at greater risk than a new-born child, and one of the Department's goals is to reduce infant mortality from 10 per 1,000 live births in fiscal year 1991 to 8.5 in fiscal year 1994. Outreach programs, such as "A Pregnant Woman Never Drinks Alone," attempt to prevent birth defects such as Fetal Alcohol Syndrome. In addition, screening programs are in effect to catch problems as early as possible. In fiscal year 1994, the Department's goal is to screen 122,000 newborns for neonatal deficiencies such as Phenylketonuria (PKU), galactosemia, hypothyroidism, and sickle cell, compared to 114,152 in fiscal year 1992.

The Department is also working to reduce the incidence and spread of communicable diseases, with particular attention to growing health threats such as tuberculosis. Preventing and controlling occupationally related cancers and other diseases among workers is also a major activity, as is reducing dependence on drugs and alcohol. And the Statewide Health Plan is being developed to rid the health care system of waste and inefficiencies.

The Department's recommended budget of \$96.8 million also provides funding to nonprofit organizations and underwrites local community-based health services. The Department also inspects health care providers and provides a wide array of laboratory services to State and federal agencies, physicians, clinics, hospitals, local health departments, and other health care parties.

### Acquired Immune Deficiency Syndrome (AIDS)

The fiscal year 1994 Budget recommends \$15.4 million for the fight against AIDS, an increase of \$800,000 above the current level. AIDS continues to be a public health priority in New Jersey and the *State AIDS Plan*

designates the Department of Health as the lead agency. New Jersey now ranks fifth nationally in the number of confirmed cases of AIDS and third in the number of pediatric cases. Since 1980, more than 14,000 cases have been reported in New Jersey, and more than 242,000 in the United States.

This Budget continues a number of activities at their current levels. Education and technical assistance will be provided to health care professionals and the public. Cooperative action among public and private agencies, organizations and groups will be encouraged, leading to the development of community-based counseling and treatment services. In addition, funding is recommended for early intervention programs that treat HIV-positive individuals with anti-viral drugs to help prolong life and mitigate symptoms, thereby preventing expensive hospitalization. This program provides financial assistance to 1,600 clients for the purchase of the drug AZT to be used in their treatment. The recommendation replaces federal funds that have been reduced.

### Tuberculosis

The resurgence of tuberculosis (TB), a disease once thought to be under control, is attributable to a variety of factors, including poverty in the inner cities, crowded prisons, non-compliance with medication regimens, and the AIDS epidemic. Particularly alarming is the appearance of drug-resistant strains of TB, which become even more difficult to treat if the patient does not complete a standard regimen of medication. Multiple drug-resistant TB is fatal in 50 to 80 percent of those who contract it. A recent sampling of active TB cases in six New Jersey cities indicates that 12 percent of the State's new cases are resistant to one or more of the standard prescribed treatments. The Budget contains \$907,000 to treat and control the anticipated increase in drug-resistant tuberculosis. These funds will be used for intensified treatment, rapid laboratory identification, and stricter supervision to ensure that clients are completing their prescribed regimen of medication.

### Public Health Laboratories

The Public Health Laboratory provides a comprehensive range of timely diagnostic services to most parties in the identification and control of disease and environmental threats. The laboratory performs these services on a 24-hour, seven-day-a-week basis. The Budget continues the current level of funding, \$4.3

## *Components of the Budget*

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million, and adds \$5.7 million to cover the increased costs of critical salaries, materials and supplies, as well as capital funding to replace aging equipment such as freezers and incubators.

### **Family Planning Expansion**

Funding will allow 7,500 more clients to be served at family planning clinics throughout the state and makes contraception options such as Norplant more accessible.

This request is directly related to the Family Development Planning Act, which prohibits increases in the Aid to Families with Dependent Children grant if the mother delivers additional children while participating in this program. Without this funding, low-income women could be placed in the precarious situation of not being able to afford this more expensive, extremely effective birth control method, yet being penalized if more children are born.

## FAMILY DEVELOPMENT

The social welfare assistance programs administered by the Division of Family Development provide for the minimum income requirements of a diverse set of needy clients, half of whom are children, through direct cash assistance. In addition, a greater emphasis has been placed on reuniting and strengthening the family as a means of obtaining self-sufficiency, through the creation of the Family Development Program (FDP). To recognize this new direction, the Division of Economic Assistance has been renamed the Division of Family Development (DFD). The funding recommended for DFD in fiscal year 1994 totals \$551 million, an increase of \$37 million or 7 percent more than the current year.

Welfare clients are automatically eligible for Food Stamps and for Medicaid. Aid for Families with Dependent Children (AFDC) is the largest program. The average family is composed of a single parent and two dependent children, who receive a maximum of \$424 per month in welfare assistance payments. This represents 44 percent of the current federal poverty income guidelines; when combined with \$292 per month in Food Stamps, the proportion increases to 74 percent. The last welfare grant increase of 5 percent was provided in 1988. Needy single individuals and married couples without children are eligible for the State-funded General Assistance (GA) program.

The Family Development Program significantly expands current education, training, and employment opportunities for recipients of the AFDC and the GA programs. Federal waivers have been approved and FDP implementation has begun. FDP moves beyond the federal Job Opportunities and Basic Skills (JOBS) legislation by setting a new direction of individual responsibility, family stability, and self-sufficiency. Greater emphasis is placed on education and training, including opportunities for higher education, in order to enable clients to pursue rewarding careers and a life independent of welfare. Regulations have been changed to encourage the formation of families by allowing AFDC benefits to continue following marriage. Comprehensive services are provided to other family members, not just the head of household, so that the cycle of welfare dependency and poverty can be broken. Health care coverage has been extended from one to two years following employment to encourage self-sufficiency. The Budget includes \$35 million for FDP welfare reform training initiatives to provide services for an estimated caseload of 42,000 in fiscal year 1994.

Effective January 1, 1991, the State assumed a greater share of costs for assistance programs as part of the Property Tax Relief Program. While maintaining the federal participation rate, State cost-sharing for the AFDC and Emergency Assistance programs was increased from 37.5 to 45 percent, and for the Supplemental Security Income program from 75 to 100 percent. Effective July 1, 1991, the State assumed 100 percent of General Assistance costs, compared to 75 percent previously. Projected cost savings to counties and municipalities based upon fiscal year 1994 caseload estimates total in excess of \$112 million.

With an improved economic forecast for fiscal year 1994, public assistance caseloads are expected to grow by only 5 percent, compared with a 10 percent caseload growth in the previous year. The number of recipients participating in these income assistance programs during fiscal year 1994 is estimated at 578,000.

Program highlights for fiscal year 1994 are summarized below.

- Aid to Families with Dependent Children is estimated to provide income benefits to 376,000 children and their parents at a State cost of \$224 million. These costs represent an increase of more than \$8 million or 3.8 percent.
- General Assistance will provide financial assistance to almost 39,500 individuals at a total state cost of over \$174 million. These costs represent a \$7.8 million or 5 percent increase from last year.
- The Emergency Assistance program is estimated to provide shelter, food and other short-term assistance to more than 34,500 recipients at a cost of more than \$40 million. These costs are \$4 million more than last year.
- The Supplemental Security Income program will provide supplemental payments to almost 128,000 individuals who are aged, blind and disabled at a cost of more than \$64 million.
- The Job Opportunities and Basic Skills (JOBS) program, which provides educational and employment training to AFDC recipients, will decrease to \$13 million, as FDP is phased into five additional counties.
- The Family Development Program is funded at \$35 million and will operate in eight counties for AFDC clients. Funding includes \$4 million for GA client participation in three counties and the city of Trenton.

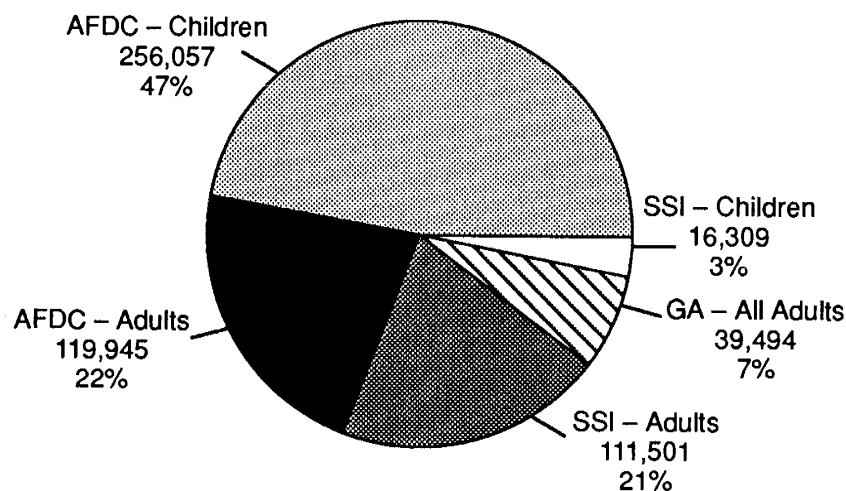
# Components of the Budget

## INCOME ASSISTANCE PROGRAMS FISCAL YEAR 1994 BUDGET (\$ IN MILLIONS)

INCOME ASSISTANCE PROGRAM	STATE FUNDS	FEDERAL FUNDS	LOCAL FUNDS	TOTAL FUNDS
AFDC	\$224.4	\$242.2	\$22.9	\$489.5
JOBS	\$12.7	\$16.2	\$0.0	\$28.9
GENERAL ASSISTANCE	\$174.4	\$0.0	\$0.0	\$174.4
EMERGENCY ASSISTANCE	\$40.1	\$37.9	\$3.9	\$81.9
SSI	\$64.3	\$621.8	\$0.4	\$686.5
FAMILY DEVELOPMENT	\$34.6	\$33.5	\$0.0	\$68.1
<b>TOTAL</b>	<b>\$550.5</b>	<b>\$951.6</b>	<b>\$27.2</b>	<b>\$1,529.3</b>

## NEW JERSEY INCOME ASSISTANCE PROGRAMS FISCAL YEAR 1994 CASELOAD

### NUMBER OF INDIVIDUALS



This chart includes participants funded from all funding sources.  
See Table above.

## THE MEDICAID PROGRAM

Medicaid is the State's health care program for an array of needy populations within New Jersey. Medicaid covers a full range of inpatient and outpatient hospitalization services, physician visits, dental work, prescription drugs, medical supplies, medical transportation, home health services, and long-term care. It is estimated that all Medicaid services will cost the State \$2 billion in fiscal year 1994.

Included in the cost of providing Medicaid services is \$163.1 million, \$81.6 million State share, to provide subsidies to hospitals. The Hospital Health Care subsidy will ensure the financial viability of potentially vulnerable hospitals during the transition from a highly regulated rate setting environment to one of deregulation and competition.

Funding for the subsidies is in addition to increases associated with the costs of providing the usual Medicaid services. Medicaid costs have accelerated rapidly, and, as a funding mechanism, Medicaid has been utilized to expand services to broader populations. Yet adequate health services still are not accessible in certain portions of the state. Consequently, the central policy dilemma of Medicaid is how to balance three often conflicting goals—controlling expenditures, providing access to high quality care, and dealing with pressures for program expansion to meet the health care needs of the uninsured.

Many of the recipients of Medicaid are individuals who also receive cash assistance through such programs as Aid to Families with Dependent Children (AFDC) and Supplemental Security Income (SSI). Numerically, AFDC recipients comprise the largest group of eligibles. However, the growth of AFDC eligibles in fiscal year 1994 is expected to be less than previous years due to improved economic conditions.

For Medicaid, as for the average health care consumer the given cost of care varies greatly depending upon the type of service received. That is, if an individual is hospitalized, the cost will be high, but a routine doctor's visit is relatively low. Thus, although AFDC recipients constitute 61 percent of all Medicaid recipients, they consume only 25 percent of Medicaid expenditures. The composite average cost for an AFDC recipient who uses Medicaid is \$140 per month.

A second Medicaid eligibility group consists of low-income persons who meet the federal Social Security criteria of age, disability, or blindness. Aged eligibles comprise 15 percent of Medicaid recipients

and now account for 36 percent of expenditures. The high cost is largely explained by the provision of nursing home care to a growing number of elderly persons. Disabled and blind eligibles comprise 22 percent of Medicaid recipients and account for 37 percent of expenditures because of their high utilization of medical services and prescription drugs related to the particular disability.

In addition to offering services in the traditional health care settings, Medicaid offers the choice of participating in the Garden State Health Plan (GSHP). This is a State-operated health maintenance organization whose goal is to reduce health care costs for Medicaid eligibles by increasing accessibility, encouraging preventive health care practices, and reducing reliance on expensive hospital services. In order to ensure that care is delivered effectively and efficiently, participating physicians are required to provide case management services in addition to treatment. Because of these benefits, Garden State Health Plan participation has been growing. It reached more than 13,000 at the end of fiscal year 1992 and there are projected year-end enrollments of 36,000 by 1993 and 50,000 by 1994.

### Medicaid Expansions

The Medicaid program serves persons who would otherwise be part of the growing pool of those without resources for health care. While insurance reform, including community rating and open enrollment, will reduce the number of those without health insurance, families with incomes at or near the poverty level will continue to be at risk. Those without health care insurance tend to receive a severely limited quantity of health care, particularly preventive health care, reducing the overall well-being of the state's population.

Consequently, Medicaid services have been made available to New Jersey residents with incomes above AFDC or SSI eligibility limits but at or near the federal poverty level. These individuals receive benefits under the original Medicaid expansion, New Jersey Care. New Jersey Care eligibles include pregnant women, children up to age two, plus aged, blind and disabled persons. More recent expansions now provide Medicaid to pregnant women, and children to age one, with family income up to 185 percent of poverty. Additional expansions have targeted older children. Each of these expansions reduces the level of uncompensated care in the state and provides timely services to recipients who tend to avoid more costly emergency medical care.

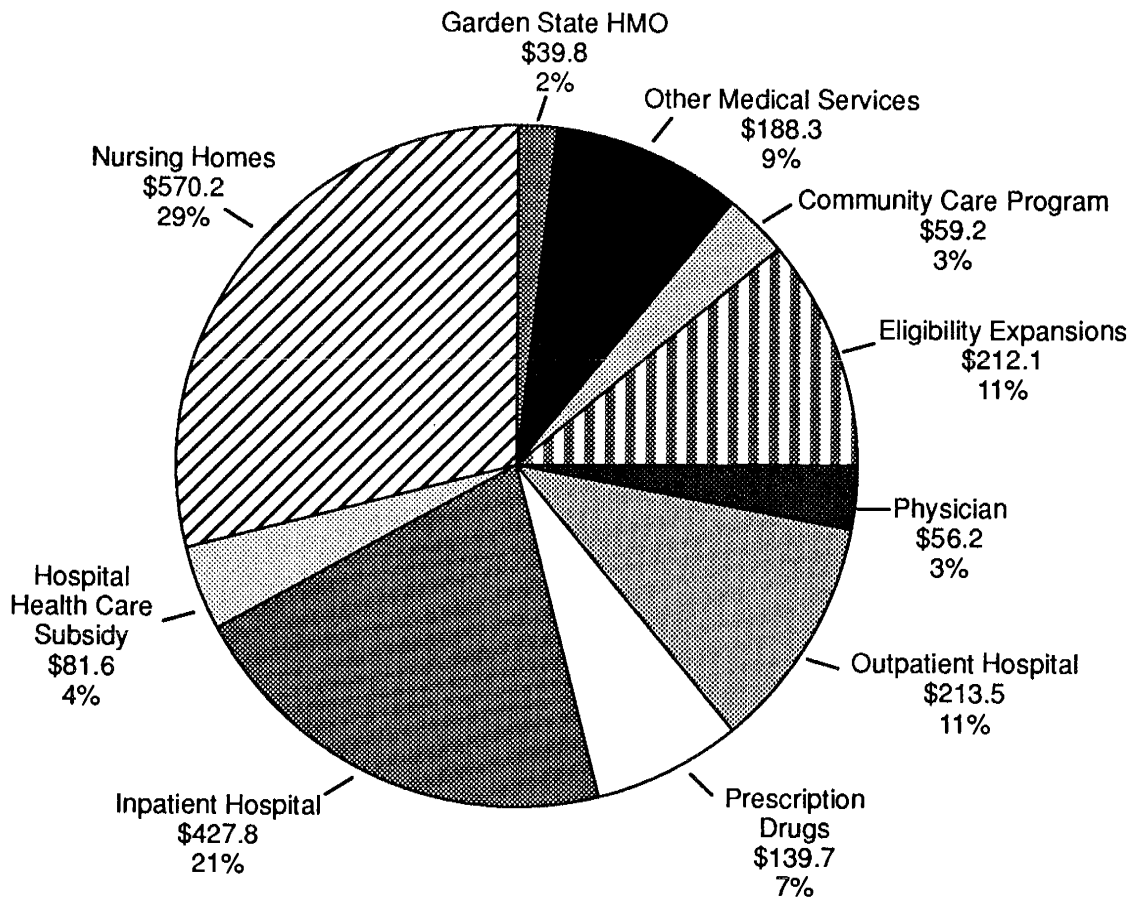
# Components of the Budget

## Alternatives to Institutionalization

In addition to the regular Medicaid program, there are programs that provide home and community-based alternatives to institutionalization for the elderly and disabled. Individuals must be at least 65 years old or determined disabled under the Social Security Act, and be in need of institutional care. Services include

medical day care, medical transportation, case management, social adult day care, homemaker and respite care. New Jersey pioneered an AIDS community care program for those who would need institutional care when sufficient in-home care cannot be provided. Case management, private duty nursing and certain narcotics and drug abuse treatment are provided in the home.

## MEDICAID GRANTS-IN-AID General and Casino Revenue Funds (\$ in Millions)



**TOTAL – \$1,988.3**

## PHARMACEUTICAL ASSISTANCE TO THE AGED AND DISABLED

The Pharmaceutical Assistance to the Aged and Disabled (PAAD) program reduces the cost of prescription drugs to a vulnerable segment of the population. This program pays the full cost of prescriptions for eligible individuals, less a \$5 copayment to be paid by the recipient. This copayment was raised to \$5 from \$2 last year, the first increase since 1979. This program, which serves approximately 222,000 aged and disabled persons, is recommended at \$168.4 million for fiscal year 1994.

The financial savings to individuals for prescription drugs is substantial. The typical elderly person averages 24 prescriptions per year at an average cost of \$39.50 resulting in a \$943 savings. For a disabled individual, the average savings is almost \$1,300 based on an average of 28 prescriptions per year at an average cost of \$46.00.

The program has three distinct eligibility groupings. These generally reflect the program's evolution, in which income standards for eligibility were increased in consideration of cost of living increases, or expanded to include new participants. The original program was established in 1975 for persons over 65 years old with incomes under \$9,000 if single, or under \$12,000 if married. When resources were made available from the Casino Revenue Fund in 1981, pharmaceutical assistance was extended to aged individuals with a higher income, up to \$13,650 if single and \$16,750 if married. Eligibility was also expanded to include persons deemed disabled under federal Social Security criteria. All disabled individuals with incomes up to \$13,650

(single) or \$16,750 (married) were funded by the Casino Revenue Fund.

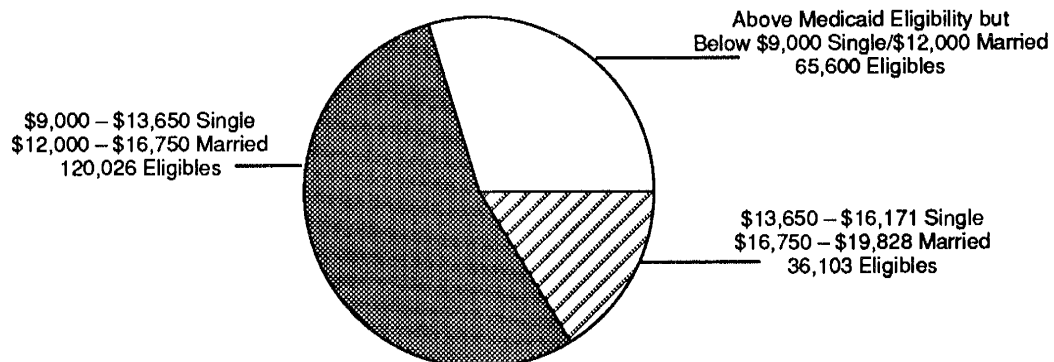
In 1991 the Casino Revenue funded portion of the program was expanded to include aged and disabled persons with incomes up to \$15,700 for single persons, and \$19,250 for married couples. Income eligibility was again expanded by three percent to \$16,171 (single) or \$19,828 (married) beginning January 1, 1993 to compensate for the Social Security cost of living adjustment (COLA). Without this expansion, a number of individuals would have become ineligible for program benefits because the COLA would have placed them above the income eligibility threshold.

The State initiated a pharmaceutical manufacturers' rebate program in July 1992, similar to the federally mandated rebate for the Medicaid program. Under this program, pharmaceutical manufacturers that participate in the PAAD program are required to provide rebates to New Jersey, reflecting a "bulk purchase" discount. More than \$37 million in rebates is expected in fiscal year 1994.

### LIFELINE

In addition to pharmaceutical assistance, PAAD eligibility also confers entitlement to Lifeline home energy payments of \$225 annually per household. The Lifeline Tenants program is funded from the General Fund while the Lifeline Credit program for homeowners is funded from the Casino Revenue Fund. Total Lifeline benefit expenditures of \$75.3 million are anticipated in fiscal year 1994.

**PHARMACEUTICAL ASSISTANCE TO THE AGED AND DISABLED  
FISCAL YEAR 1994 ELIGIBLES BY INCOME**



**ANNUAL INCOME ELIGIBILITY LIMITS**

# Components of the Budget

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## COMMUNITY, SOCIAL AND INSTITUTIONAL SERVICES

### Community and Social Services

**Community Mental Health**—Mental Health community services are provided by 175 contracted private community mental health agencies and by two mental health centers associated with the University of Medicine and Dentistry of New Jersey. These services are provided to persons who have previously been in institutions, are “at risk” of psychiatric hospitalization, or who are suffering from emotional distress in daily living. Community mental health centers are contacted by clients more than 240,000 times each year.

The major goal of clinical intervention is to enable clients to relieve distress and permit them to function as independently as possible, using a variety of services. Emergency services—provided on a 24-hour basis—are designed to stabilize individuals through assessment, intensive supervision, medication monitoring and general crisis intervention. Residential services provide a live-in setting, in the least restrictive environment necessary, that ensures safety and helps the client achieve personal growth by living independently. Treatment is provided on an outpatient basis to people who are not in an immediate crisis; such services may include individual, group or family therapy, medication monitoring, clinical assessment and outreach. Partial care settings provide several hours of daily program involvement designed to increase the client’s individual independence and community living skills.

Clinical case management ensures that clients receive services that are unified, coordinated and integrated to meet their specific needs. Primary activities include assessment, service planning, various therapeutic interventions, ongoing monitoring and referral to other services. Community treatment often provides an alternative to institutionalization for adults and children.

Commencing in fiscal year 1992, a major initiative was undertaken to reduce the overall population of the major State psychiatric hospitals by placing 450 patients in alternative treatment programs in the community. Funding, totaling \$20 million, became available from the federal Community Care Waiver program for use as a Bridge Fund to support this community care initiative. The Budget recommendation for fiscal year 1994 contains an additional \$9.4 million in State funds to complete this two-year project.

**Youth and Family Services**—The Division of Youth and Family Services (DYFS) is the State’s primary provider of social services within the community. As

the State’s child welfare agency, DYFS focuses much of its activity on abused, neglected and delinquent children and their families. Services may be provided directly from the Division or from community agencies contracted under its supervision. Current projections indicate that approximately 45,600 children will be served during fiscal year 1994.

The Division’s substitute care programs offer temporary or permanent care to clients whose needs prevent them from remaining in their own homes. Probably the best known alternative is foster care for children whose families are unable or unwilling to provide appropriate care for them. The number of foster care placements is expected to grow by 100 to over 6,300 in fiscal year 1994. In addition, private and State-operated residential facilities are available for children who require more intensive treatment and closer supervision than they receive in other less restrictive community settings. Alternative living arrangements may be established for older adolescents to prepare them for self sufficiency. Finally, adoption subsidies are provided to encourage the permanent placement of special needs children.

Community-based family support services are designed to assist families in crisis and to preserve and strengthen families. “Wrap-around” services, one of these supports, provides a network of family-oriented services individually tailored around a child with serious emotional or behavioral problems. The term “wrap-around” reflects the goal of considering total client needs and preventing residential placement. Some other contracted services developed and monitored by the Division are homemaker, companionship, employment, housing, legal, and psychological/therapeutic services. Fiscal year 1994 will see the expansion of the Family Preservation Services program, an intensive in-home crisis intervention and family education program designed to prevent the unnecessary out-of-home placement of children. Sufficient State funds are provided in fiscal year 1994 to allow the State to draw down \$3.3 million in federal Title IV-A revenues to expand this program to all 21 counties in New Jersey.

Another major component of DYFS community services is child care. DYFS directly subsidizes over 230 community day care centers as well as operates 11 State-owned centers. Purchase of day care is also subsidized through vouchers, which give a family the ability to purchase their own choice of day care.



**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. Many individuals also participate in an adult day program, which includes adult activities, supported employment, and extended employment programs. School-aged children receive day training services. Respite/Home Assistance programs provide families short-term relief from the often difficult task of caring for a developmentally disabled family member at home.

All programs are designed around the individuals' needs and their level of independence. As developmentally disabled individuals move through the series of community services, they develop the skills associated with living a more normal life.

Residential programs such as group homes, supervised apartments, supportive living arrangements, skill development homes and family care homes (the same as foster care) represent a continuum of living arrangements, from the least restrictive (family care home) to the most restrictive (group homes, supervised apartments). Individuals residing in family care homes lead very normal, productive lives with very little supervision. Most have full-time jobs and are active members of the community. Group homes, on the other hand, have around-the-clock staff supervision and most of the residents participate in an adult day program. Group homes and supervised apartments provide residential living arrangements for six to eight individuals. Skill development homes and supportive living arrangements are less restrictive than group homes. Many residents participate in supported employment or extended employment programs with the help of a job coach or staff member.

The fiscal year 1994 Budget recommendation provides funding for 955 individuals to be placed in private institutions, 136 in family care, 1,281 in skill development homes, 3,121 in group homes, and 5,748 in adult activities.

The 1994 recommendation also includes full-year funding totaling \$7.5 million for community living arrangements for 164 former residents of the Johnstone Training and Research Facility, which was closed to clients on September 30, 1992, and \$13.5 million to reduce the Community Waiting List by placing 300 clients in various community programs. Both initiatives were begun in fiscal year 1993. A \$2 million initiative is recommended in fiscal year 1994 to increase family

support services, which include respite care, case management, personal assistance services or any other service that can prevent institutionalization.

### INSTITUTIONAL CARE

**Psychiatric Hospital Care**—The State maintains seven psychiatric hospitals to serve voluntarily or legally committed mentally ill persons. The facilities include one geriatric facility for those who have an additional need for skilled or intermediate nursing and medical care, and one facility for pre-adolescent school-age children and adolescents who have been legally committed. In 1994, the number of patients at the mental health institutions is anticipated to average 2,366. Marlboro Psychiatric Hospital is the largest of the hospitals, averaging 622 patients on any given day. The Arthur Brisbane Child Treatment Center, the smallest facility, houses an average of 55 patients.

The seven hospitals target seriously mentally ill persons who suffer severe and persistent emotional disorders that disrupt their personal lives. Alcohol and drug abuse may complicate a patient's disorders and resulting treatment. The hospitals provide medical intervention, a protective therapeutic environment, and various rehabilitative, vocational and treatment services. The goal of treatment is to prevent the onset of acute illness or limit its duration, so that patients can return to the community as rapidly as possible, with community care support if necessary.

Counties operate a total of six psychiatric hospitals. The combined number of patients at these county hospitals averages 667. Essex is the largest of the hospitals, averaging 305 patients. The smallest and newest hospital is Runnells in Union County, averaging 7 patients. The State provides funds for 90 percent of the maintenance costs of these patients.

**Developmental Centers**—Developmental centers provide residential, habilitation and educational services for the developmentally disabled. Developmental centers traditionally have been viewed as places that provide food, shelter and basic care for their residents. In addition to these basic services, however, residents receive habilitation services which may include basic skills in grooming, eating and toilet training (activities of daily living) and educational services (reading, writing and arithmetic).

In fiscal year 1994, an estimated 4,520 individuals will reside in the centers, a significant reduction from the 5,169 residents living in institutional facilities in 1989 and a reduction of 123 from June 1992. New Jersey is committed to reducing the populations in Developmental Centers while providing a wide variety of residential and support services in the community. The State has consistently closed facilities that have not been certified under the federal Intermediate Care Facilities/Mental

## Components of the Budget

Retardation (ICF/MR) program. In recent years, the Budget has included separate initiatives to reduce the number of non-certified bedspaces at the Vineland (256 beds) and Woodbine Developmental Centers (100 beds).

During 1992 the Edward R. Johnstone Training and Research Facility and the Developmental Center at Ancora were closed, further reducing the number of non-certified beds in New Jersey. Overall, New Jersey has reduced the number of non-certified beds from 2,322 in 1978 to under 850 in fiscal year 1994. Since January 1991 alone, 470 non-certified ICF/MR beds have been eliminated, while the commitment to community living has increased.

### Juvenile Programs

Pursuant to an Executive Order, and pending Legislative concurrence, the Division of Juvenile Services and related functions will be transferred from the Department of Corrections to the Department of Human Services (DHS) effective July 1, 1993. The purpose of

this organizational transfer is to provide a continuum of quality care to young individuals at risk of involvement with the juvenile justice system and to prevent delinquency through positive youth, family and community development. With its transfer to DHS, the Division of Juvenile Services will have ready access to the numerous services already offered by the DHS in the areas of mental health, youth and family services, health, substance abuse and remedial education. Additionally, the Division will be in a position to access additional federal funds for health care and rehabilitation.

A budget of \$39 million is recommended for the Division of Juvenile Services in fiscal year 1994. This amount is sufficient to provide care, supervision and treatment to almost 1,500 young individuals, three-fifths of these in community based programs and the remainder in institutions. Compared to the current year, slightly more youths will be involved in community programs, while the number of youths in institutions is expected to remain the same.

### COMMUNITY CARE PROGRAMS APPROPRIATED DOLLARS (\$ in Thousands)

Program	State	Federal and All Other	Total
Division of Mental Health and Hospitals	\$ 131,083	\$ 11,102	\$ 142,185
Division of Developmental Disabilities	178,119	103,016	281,135
Division of Youth and Family Services	218,356	75,093	293,449
Division of Juvenile Services	16,328	8,412	24,740
<b>TOTAL</b>	<b>\$ 543,886</b>	<b>\$ 197,623</b>	<b>\$ 741,509</b>

### INSTITUTIONAL PROGRAMS APPROPRIATED DOLLARS (\$ in Thousands)

Program	State	Federal and All Other	Total
Division of Mental Health and Hospitals (State)	\$ 214,624	\$ 1,908	\$ 216,532
Division of Mental Health and Hospitals (County)	88,816	—	88,816
Division of Developmental Disabilities	203,271	108,236	311,507
Division of Juvenile Services	23,085	5,274	28,359
<b>TOTAL</b>	<b>\$ 529,796</b>	<b>\$ 115,418</b>	<b>\$ 645,214</b>

## CORRECTIONS

The Department of Corrections is responsible for the confinement of criminals and the preparation of these individuals for return back to the community. The Department operates within a complex network of law enforcement agencies and the courts, which influences the number of inmates incarcerated in the State prison system. Following years of rapid growth, the adult prison population has declined slightly during fiscal year 1993 and is projected to stabilize at approximately 22,700 by the end of fiscal year 1994. The decline has resulted from the large number of drug offenders sentenced in previous years under the Comprehensive Drug Reform Act of 1987, who are now becoming eligible for parole release. After this group of offenders moves out of the system, admission and release volumes are expected to balance.

A significant change for fiscal year 1994 is the organizational transfer of three juvenile institutions and the juvenile community programs, which comprise Juvenile Correctional Services, to the Department of Human Services. This transfer is in keeping with the Governor's Executive Order #27 (pending Legislative concurrence) and in response to proposed recommendations formulated by the Cabinet Action Group to establish a comprehensive, coordinated range of services to youth involved with the juvenile justice system.

The Department's recommended budget is \$617.5 million for fiscal year 1994. This will provide custody, care, supervision and treatment for approximately 60,000 inmates and parolees.

### Prisons

Within the prison system, a recommendation of \$488.8 million will continue the present level of custody, supervision, education, treatment and other programs for approximately 18,500 adult inmates, and expand the capacity at two institutions by an additional 460 beds. This recommendation includes \$9.7 million to increase the capacity at the Edna Mahan Correctional Facility for Women by 264 beds; a new 196 bed unit at the Garden State Reception and Youth Correctional Facility will focus on substance abuse treatment due to the large numbers of inmates who are incarcerated for drug-related crimes.

As a result of this expanded capacity and a stable population, it is projected that the number of State sentenced inmates awaiting placement in county jails will be reduced from more than 3,000 to about 2,700 by the end of fiscal year 1994. At the current rate of \$45 per day, an appropriation of \$58.4 million is recommended to pay the counties for State inmates backed up in county facilities. An additional \$17 million is recommended in anticipation of an increase in the rate during fiscal year 1994. The State also will continue to house more than 1,000 inmates in county facilities through various other contractual arrangements.

The reduction in the county backup could help address a recent court decision that could limit the future number of inmates the State can continue to house in county jails. The construction of a new 2,000 bed prison, to begin in fiscal year 1994, will also address the county backup as well as State prison overcrowding and possible future growth in the inmate population.

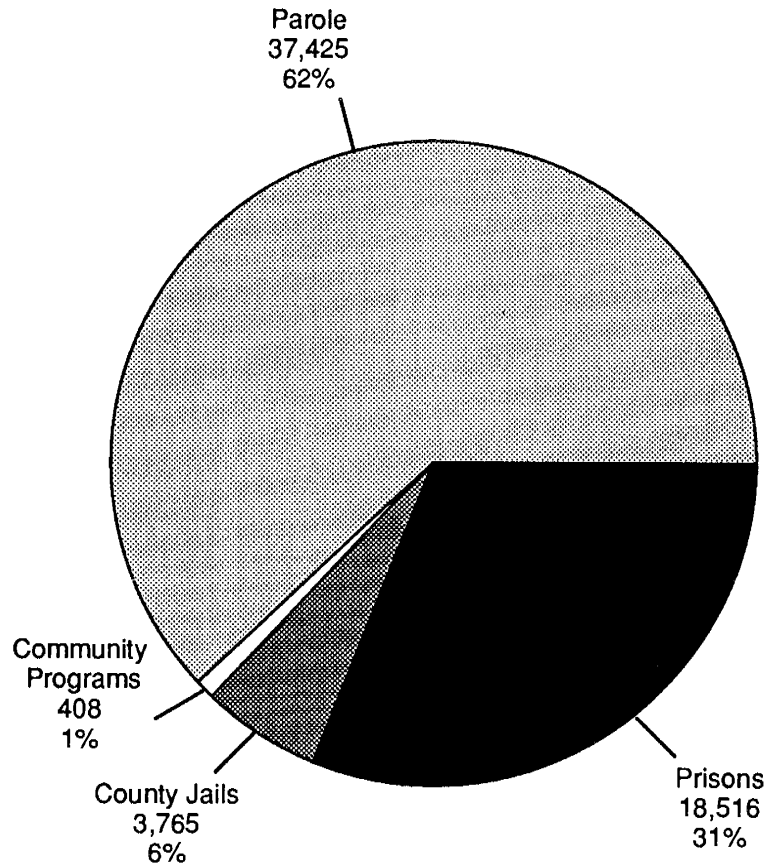
More than 7,000 State-funded employees currently provide custody, care, supervision and treatment of inmates housed in State prisons and youth correctional facilities. Of these, more than 70 percent are correction officers and supervisory staff. The remaining employees provide support and treatment services, such as medical, psychological, and food services.

### Parole and the State Parole Board

The fiscal year 1994 recommendation of \$17.7 million will support the supervision of approximately 37,000 parolees as well as inmates assigned to the Intensive Supervision/Surveillance Program (ISSP) or assigned to halfway houses. The ISSP is an alternative to returning parole violators to institutional confinement. Inmates who are within six months of their parole date or parole eligibility hearing date participate in this program in lieu of serving their sentence in an institution or halfway house.

The Parole Board's budget is recommended at \$6.8 million, which allows the Board to keep pace with the increasing demand of the overcrowded prison system by achieving the required number of hearings and reviews. The Parole Board is expected to conduct over 46,000 hearings and reviews in fiscal year 1994.

**NUMBER OF INMATES AND PAROLEES  
UNDER  
DEPARTMENT OF CORRECTIONS SUPERVISION  
ENDING FISCAL YEAR 1994**



**TOTAL UNDER SUPERVISION = 60,114**

## EMPLOYEE BENEFITS

Like other employers, the State provides a variety of benefits to its employees, including the employees of the State colleges and universities. Some of the benefits are required by federal or State law, while others are negotiated with the employee unions. Employees contribute toward most of their benefits, directly through salary deductions or indirectly through

copayments or deductibles, as determined by the law or negotiated agreement.

In fiscal year 1994, employee fringe benefits will total \$1.17 billion. The major components of the benefits package and their budgeted amounts for fiscal years 1993 and 1994 are displayed below.

(\$ in Millions)			
Employee Benefits	FY 1993 Adj. Approp.	FY 1994 Recommendation	Change
Pension Systems	\$ 239.9	\$ 284.6	\$ 44.7
Social Security Taxes	267.8	284.0	16.2
State Employees Health Benefits	470.6	521.3	50.7
Other Employee Health Programs (Dental, Drugs, Vision)	77.8	85.0	7.2
Unemployment Insurance	9.0	17.5	8.5
Temporary Disability Insurance	5.1	5.0	-.1
Fringe Savings from ERIP and Attrition	<u>0.0</u>	<u>-25.0</u>	<u>-25.0</u>
	<b>\$1,070.2</b>	<b>\$1,172.4</b>	<b>\$102.2</b>

The cost for each employee for health, pension, and other benefits has been increasing at a greater pace than the general rate of inflation. This increase is caused primarily by the sharp rise in health care costs. However, in fiscal year 1994 inflationary costs will be mitigated by the fringe benefits savings from the staff attrition and early retirement incentive programs recommended in this Budget.

### Employee Pensions

The largest pension system is the Public Employees Retirement System (PERS). The recommendation for this system is \$148.4 million, \$17.8 million more than the fiscal year 1993 appropriation. A recommendation of \$53.7 million is made for the Alternate Benefits Program, which covers faculty at the State's colleges

and universities. The recommendation for the Police and Firemen's Retirement System is \$53.1 million, or \$23.7 million more than the appropriated level for fiscal year 1993. All the remaining pension recommendations total approximately \$29.4 million.

It should be noted that the fiscal year 1994 recommendation for the various pension accounts assumes a revision to the accelerated payments schedule of COLA and health benefits for future retirees. If the change is not instituted, a budget increase of \$55.6 million to the PERS recommendation will be necessary.

The fiscal year 1992 pension revaluation continues to save the State additional appropriations by reducing required contributions. The effect of the revaluation and the costs avoided are shown below.

(\$ in Millions)					
PERS Cost Projections*	FY 90	FY 91	FY 92	FY 93	FY 94
Pre-revaluation projections . . . .	\$159.4	\$197.0	\$217.8	\$261.4	\$354.6
Post-revaluation recommendation	<u>159.4</u>	<u>197.0</u>	<u>101.5</u>	<u>130.6</u>	<u>148.4</u>
Cost Avoidance . . . . .	\$0	\$0	\$116.3	\$130.8	\$206.2

\* Based on Division of Pensions and Benefits estimate as of 1/11/93, and pending legislation.

# Components of the Budget

## State Employees Health Benefits

The State employees health benefits account is recommended at \$521.3 million, an increase of 10.8 percent. Coverage is provided for approximately 95,000 employees, including those employed by State colleges and universities, through three plans: the traditional plan (45,000 employees); health maintenance organizations (HMOs, 41,000 employees); and a relatively newer preferred provider organization (PPO, 9,000 employees).

The rate of increase in the State's costs reflects a national health care inflation rate more than three times the general rate of price increases. Moreover, the rapid growth in health care costs is not a recent phenomenon; since fiscal year 1977 the average annual growth rate in the State health benefits account has been 17.07 percent, as seen in the accompanying table.

<u>Fiscal Year</u>	<u>Growth Rate</u>	<u>Fiscal Year</u>	<u>Growth Rate</u>
1977	14.98%	1986	3.25%
1978	10.37%	1987	6.69%
1979	22.65%	1988	18.08%
1980	4.13%	1989	38.75%
1981	8.49%	1990	33.56%
1982	23.83%	1991	17.40%
1983	12.36%	1992	25.11%
1984	34.50%	1993	8.06%
1985	14.31%	1994	10.77%

Other health programs include the Prescription Drug program, recommended at \$65.8 million, the Dental Care program (\$17.8 million), and Vision Care (\$1.4 million). Each of these programs requires some form of copayment by employees.

Newly planned and on-going programs designed to eliminate or reduce the rate of increase in health benefits are reflected in these recommendations. One such program is a proposed Benefits Awareness Program, which is a comprehensive outreach plan that will help State workers and their families make informed decisions on the type of health care coverage and other benefits that best meet their needs. For example, it may be to the advantage of some employees to switch from the traditional plan or an HMO to the NJ Plus (PPO) plan. Such a choice would result in savings to both the employee and the State since NJ Plus (PPO) is a more cost-effective plan.

In addition, the State intends to implement several cost savings provisions in the Prescription Drug program which are designed to save the State and the employees money without restricting access to care.

Finally, the State intends to conduct an audit of the health insurance claims as filed by hospitals and other providers. This audit is expected to indicate instances where hospitals have overcharged the State for various procedures. Such refunds or credits are estimated to save the State \$5 million in unnecessary charges. These savings are anticipated with this Budget.

## Other Employee Benefits

An increase of \$16.2 million in the State's share of Social Security taxes is made necessary by the higher salaries resulting from the payment of merit increments and negotiated salary increases, as well as an increase in the maximum salary to which taxes are applied, from \$55,500 to \$57,600. Unemployment insurance increases by \$8.5 million from the 1993 adjusted appropriation, reflecting the higher number of State employees receiving unemployment insurance benefits and, more specifically, the change in the law diverting employee contributions from this account to the Uncompensated Care Trust Fund, effective January 1, 1993. That change now makes the State responsible for the full liability amount, whereas both employers and employees had contributed previously.

## **PUBLIC INFRASTRUCTURE**

The State provides for its capital needs—land, buildings, and other improvements—in one of three ways. First, the needed facility may be acquired or built directly, with financing typically coming from bonds approved by the voters. The annual cost of acquiring these facilities appears as Debt Service. Second, the State rents space, including that which is being acquired through lease–purchase arrangements. Third, significant repairs, additions, or similar modifications to existing facilities are made using annual appropriations for Capital Construction.

### **Capital Construction**

For the first time in five fiscal years a significant Capital Construction budget is recommended. This budget is a result of the recommendations of the New Jersey Commission on Capital Budgeting and Planning and other executive initiatives, and will enable State agencies to address long neglected repairs, renovations, and improvements.

### **Correctional Facilities**

The fiscal year 1994 Budget includes a recommendation of \$11.3 million for various construction projects at all of the adult correctional facilities. This recommendation will fund a broad range of projects essential to the safe and efficient operation of the prisons and their support systems. These projects include replacing locking mechanisms, upgrading sewage treatment capabilities, repairing and improving heating systems, renovating prison gymnasiums, kitchens and inmate work areas, replacing roofs, and upgrading electrical systems.

### **Education Programs and Schools**

Of a \$158.2 million recommendation, \$155 million will be used to renovate or construct local schools. Grants totaling \$50 million will be targeted to the special needs districts; loans totaling \$105 million will be available to other districts. The remaining \$3.2 million will be used for a variety of improvements and repairs at the Katzenbach School for the Deaf and the Library for the Blind and Handicapped.

### **Environmental Protection**

The fiscal year 1994 recommendation for the Department of Environmental Protection and Energy, \$27.5 million, will allow it to fund a range of capital projects. The newly passed Shore Protection Fund will provide \$15 million to finance the State share and federal match for projects related to the Federal Water Resource

Development Act of 1986 (HR–6), as well as funding 100 percent State shore protection projects. Specifically, the Fund will provide \$5 million for Phase II of the Sea Bright/Monmouth Beach Project, which will receive \$11.5 million in federal matching funds under the HR–6 program, and \$10 million for 100 percent State shore protection projects in conformance with the Shore Protection Master Plan.

A \$10 million recommendation for flood control will allow the State to draw approximately \$29 million in federal matching funds under the HR–6 program. A separate \$2 million recommendation will be used to provide 50 percent grants for local flood control projects.

The remaining \$500,000 will be used by the Mosquito Control Commission to purchase various types of equipment that will be loaned to county agencies to conduct mosquito control projects. By lending this equipment to counties, the State provides them with cost savings.

### **Colleges and Universities**

New Jersey's higher education institutions have had to defer a number of maintenance projects due to the lack of recent capital funding. The recommendation of \$16.6 million for the Department of Higher Education addresses these problems, together with fire and life safety projects, and hazardous substance removal and disposal.

### **Mental Health and Hospitals**

The \$25.3 million capital recommendation for the Department of Human Services provides funds for 300 beds to be constructed at several locations. In addition, this recommendation includes funding for a number of environmental protection projects at various institutions, and infrastructure and maintenance projects at both institutions and community facilities. This recommendation also provides funds for deferred maintenance at various developmental disability and DYFS training and residential group homes.

### **Law Enforcement and Vehicular Safety**

Of the \$10.8 million recommended for Law Enforcement for fiscal year 1994, \$8.4 million will be spent to replace the Southern Regional Headquarters of the New Jersey State Police. The balance will be directed to repair and renovate the New Jersey State Police Headquarters, and to design and improve various marine police facilities. In addition, another \$4.3

# *Components of the Budget*

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million is recommended to address health and safety issues, handicapped access, roof replacement, and other maintenance projects at Motor Vehicle Services facilities.

## **Veterans' Programs and the New Jersey National Guard**

A \$5.5 million recommendation for the Department of Military and Veterans' Affairs reflects its responsibilities for complying with the Americans with Disabilities Act, fire and life safety, and removing and replacing tanks in both armories and veterans' facilities. Veterans' facilities are further supported by \$3.9 million which includes the design of a new Veterans' Home at Menlo Park. This project will garner a 65 percent federal match when it begins construction in fiscal year 1995.

## **The Capital Complex and Capital Planning**

The Department of the Treasury will receive \$14.4 million, including \$3 million for a Capital Reinvestment, Redevelopment and Initiative fund. This fund will be used to renovate or rehabilitate underutilized or vacant state properties and buildings to prepare them for sale or reuse. Additionally, these funds will be applied to conduct a statewide inventory and appraisal of all State property and to develop planning systems for the assured efficient use of all State property.

## **Transportation Trust Fund**

The Capital Appropriation includes a \$183 million recommendation for the Transportation Trust Fund. A review of this fund appears in the Transportation section.

## **Debt Service**

The State finances capital construction, land acquisition, local aid, or other program needs through the issuance of voter-approved long-term general obligation bonds (debt backed by the full faith and credit of the State). Once the bond authorizations, including the purpose and dollar amount, have been approved by the

Governor, the Legislature, and the New Jersey voters, specific appropriations are made by the Legislature for part or all of the monies authorized by the bond. As actual funds are needed for the appropriations, the State sells bonds, thus incurring debt service payments – principal and interest – to bondholders.

The fiscal year 1994 debt service payments on all outstanding general obligation bonds amount to \$449.4 million. However, due to a December 1992 Refunding Bonds sale of \$1.8 billion, most of these payments will be made from an escrow account created from a part of the bond proceeds. Accordingly, the direct State appropriation required for debt service payments is only \$115.9 million.

## **Property Rentals**

Office space and other rentals for State agencies are paid from the Property Rentals account, which is recommended at \$166 million for fiscal year 1994. This account also supports lease-purchase rental agreements for buildings whose titles will pass to the State upon the final lease payment.

The Rent account contains funding for existing and anticipated leases. Further, under lease-purchase agreements, the State funds the New Jersey Building Authority's debt service (\$17.5 million) for the several recently constructed buildings in and about Trenton. The Richard J. Hughes Justice Complex has been financed by the Mercer County Improvement Authority under a lease-purchase agreement which requires an annual payment of \$7.298 million. The Economic Development Authority amount of \$12.92 million is required to fund the Trenton Office Complex, Newark Arts Center and Liberty State Park.

A \$6 million increase for the Sports and Exposition Authority, from \$12.7 million in fiscal year 1993 to \$18.7 million in fiscal year 1994, is necessary to finance its projects throughout the state, including the Atlantic City Convention Center, Meadowlands Complex and Monmouth Racetrack.



# ***APPENDIX***

## CASINO REVENUE FUNDS

(\$ millions)

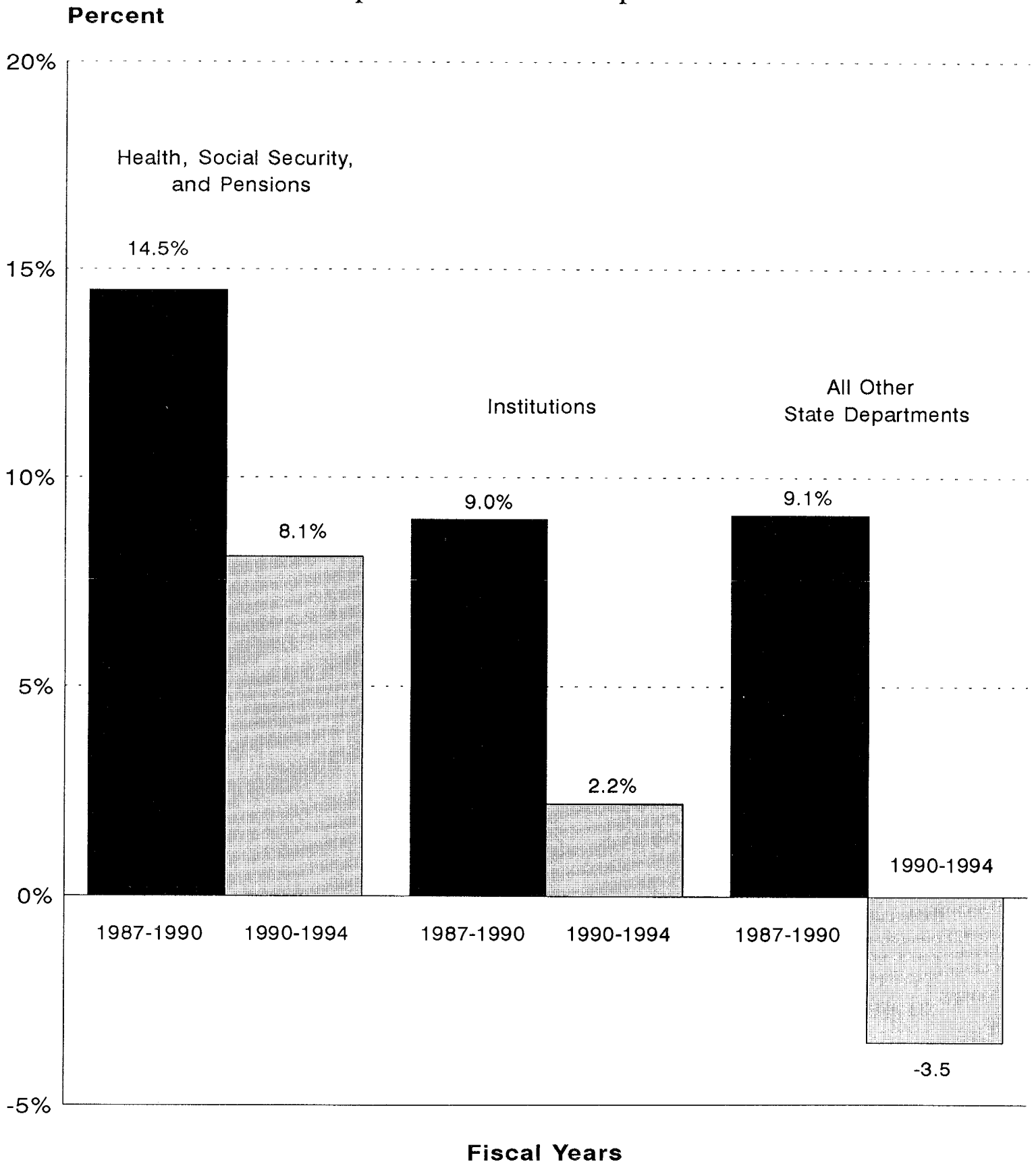
### Resources

Fund Balance, July 1, 1993 .....	\$ 19.2
Casino Revenues .....	288.0
<b>TOTAL RESOURCES</b> .....	<b><u>\$307.2</u></b>

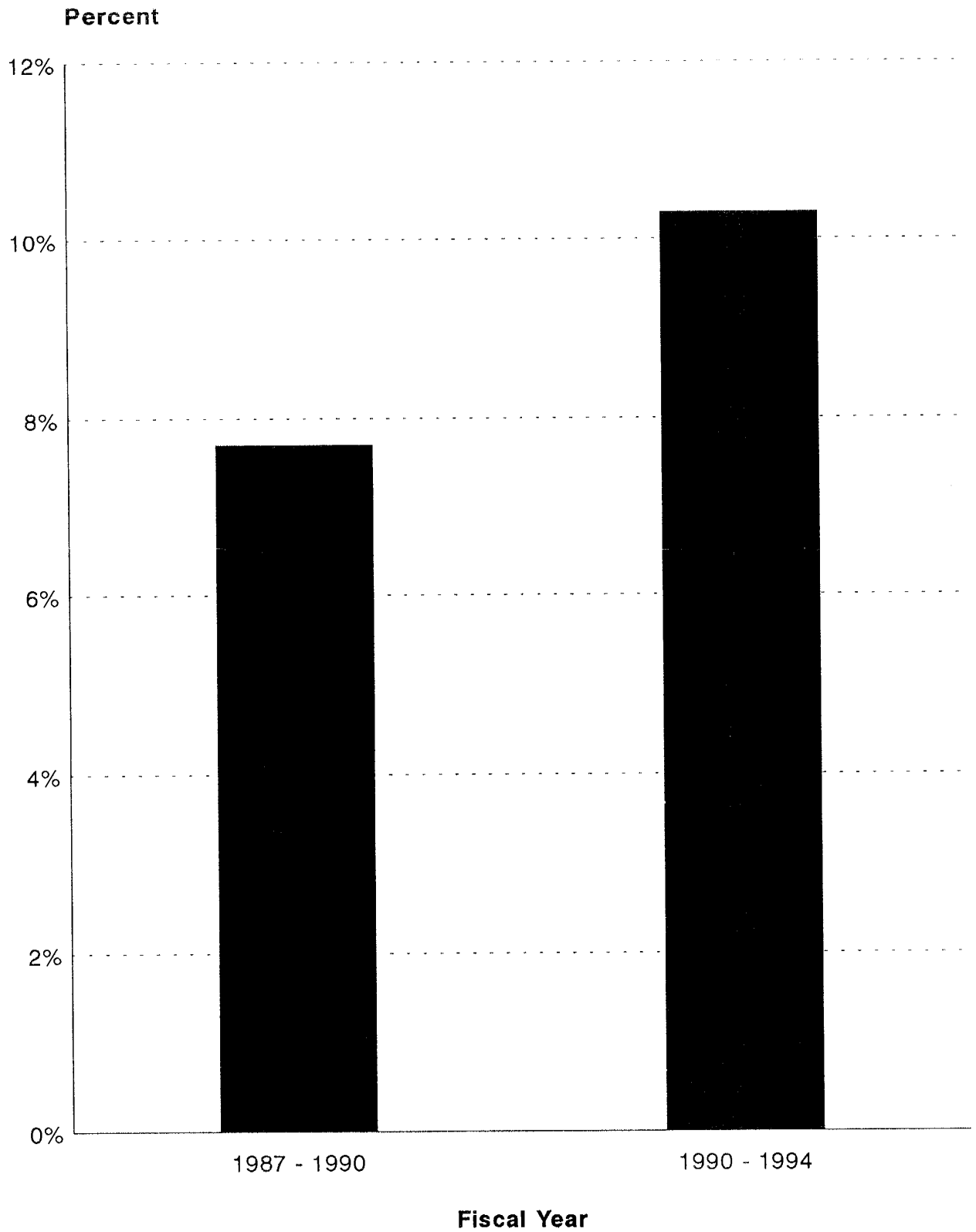
### Recommendations

Medical Care for the Elderly .....	\$173.8
Lifeline .....	43.0
Community Programs for the Developmentally Disabled .	24.5
Transportation for the Elderly .....	20.6
Property Tax Relief for the Elderly .....	17.2
Public Health and Other Services for the Elderly .....	16.0
Programs for the Aging .....	4.0
Housing for the Elderly .....	8.1
<b>TOTALS</b> .....	<b><u>\$307.2</u></b>
<b>ESTIMATED FUND BALANCE, JUNE 30, 1994</b> .....	<b><u>0</u></b>

# Annual Percentage Growth in Components of State Operations

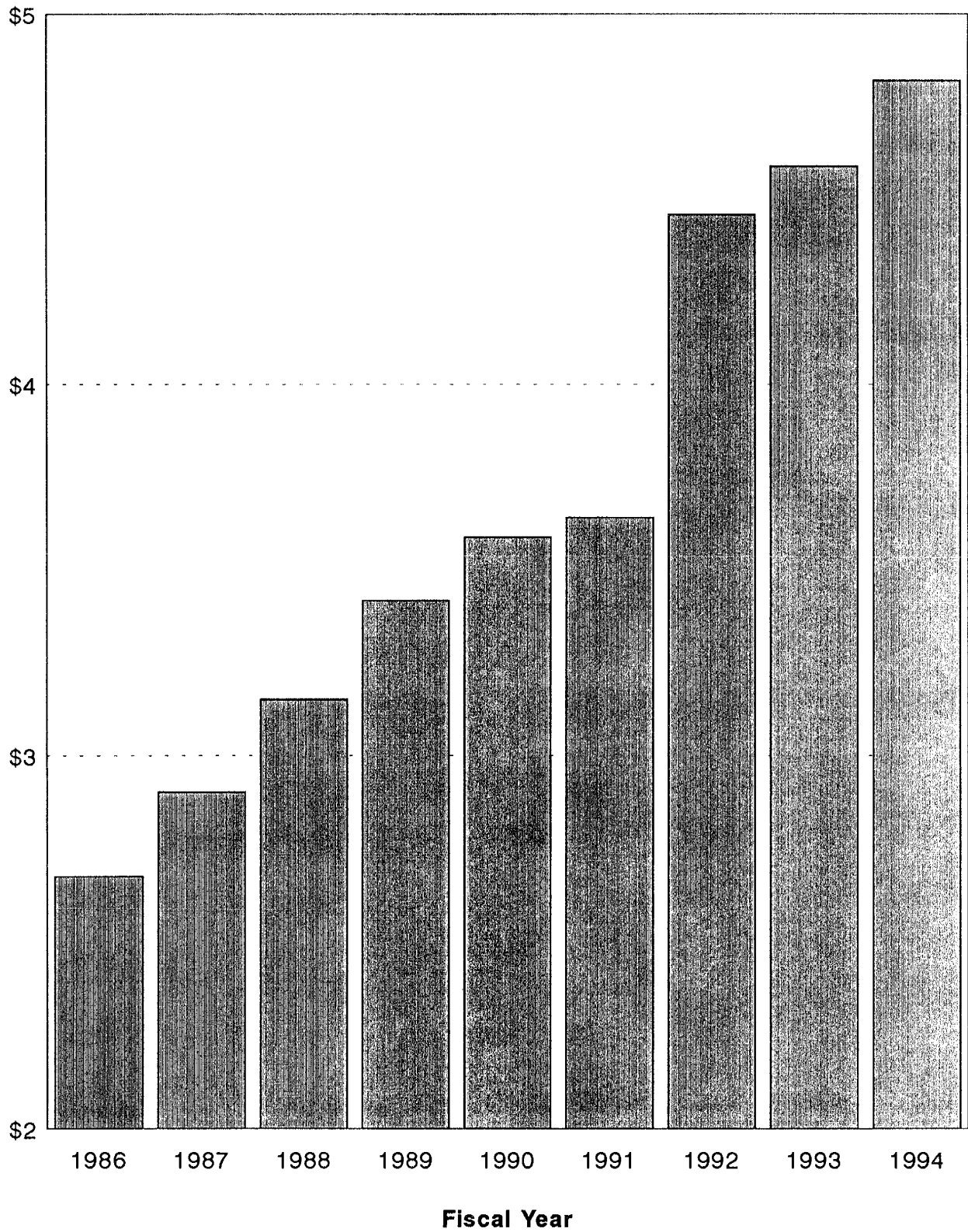


# Annual Percentage Growth Grants In Aid and State Aid



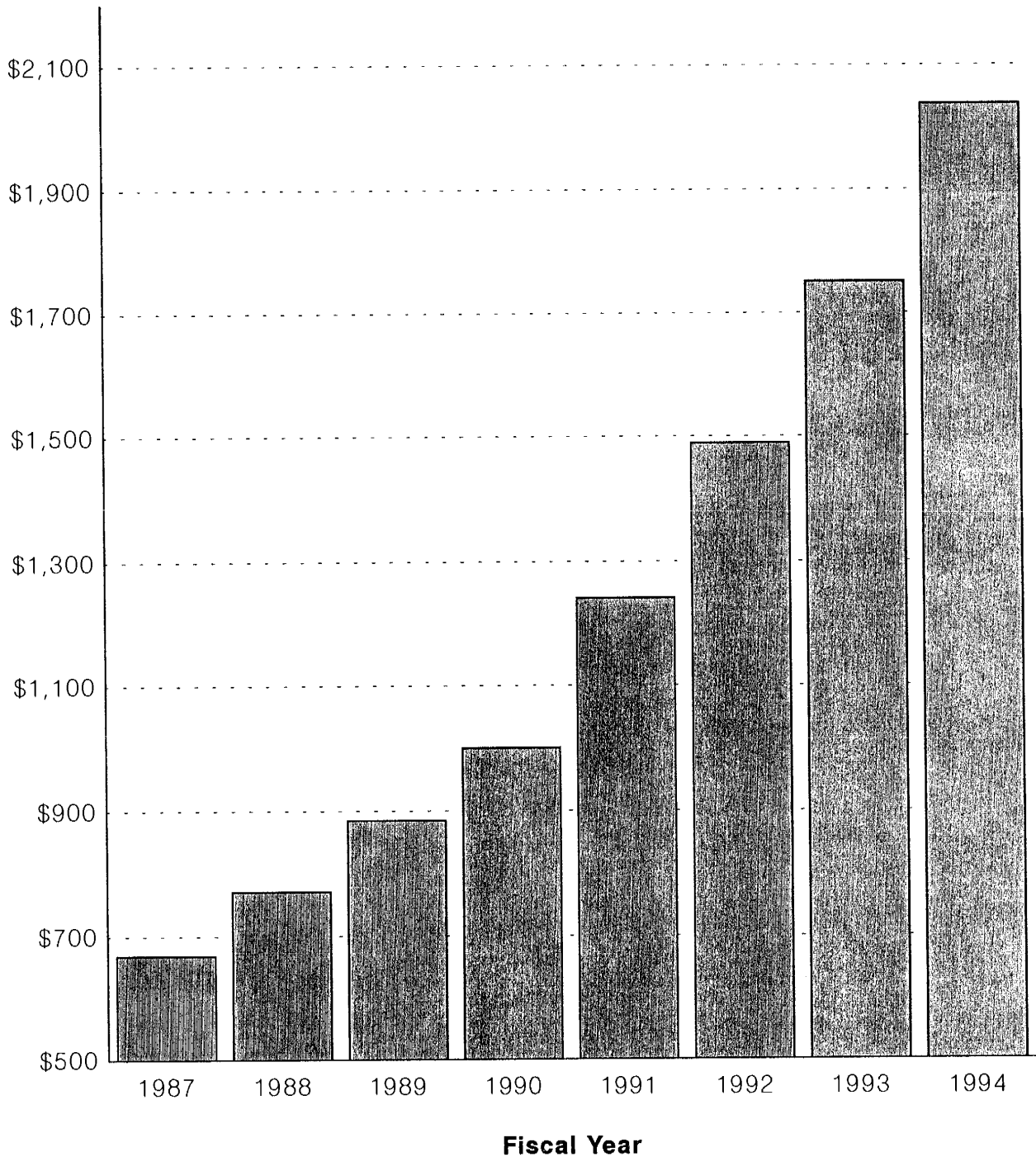
# State Aid for Local School Districts

**Appropriations (billions)**



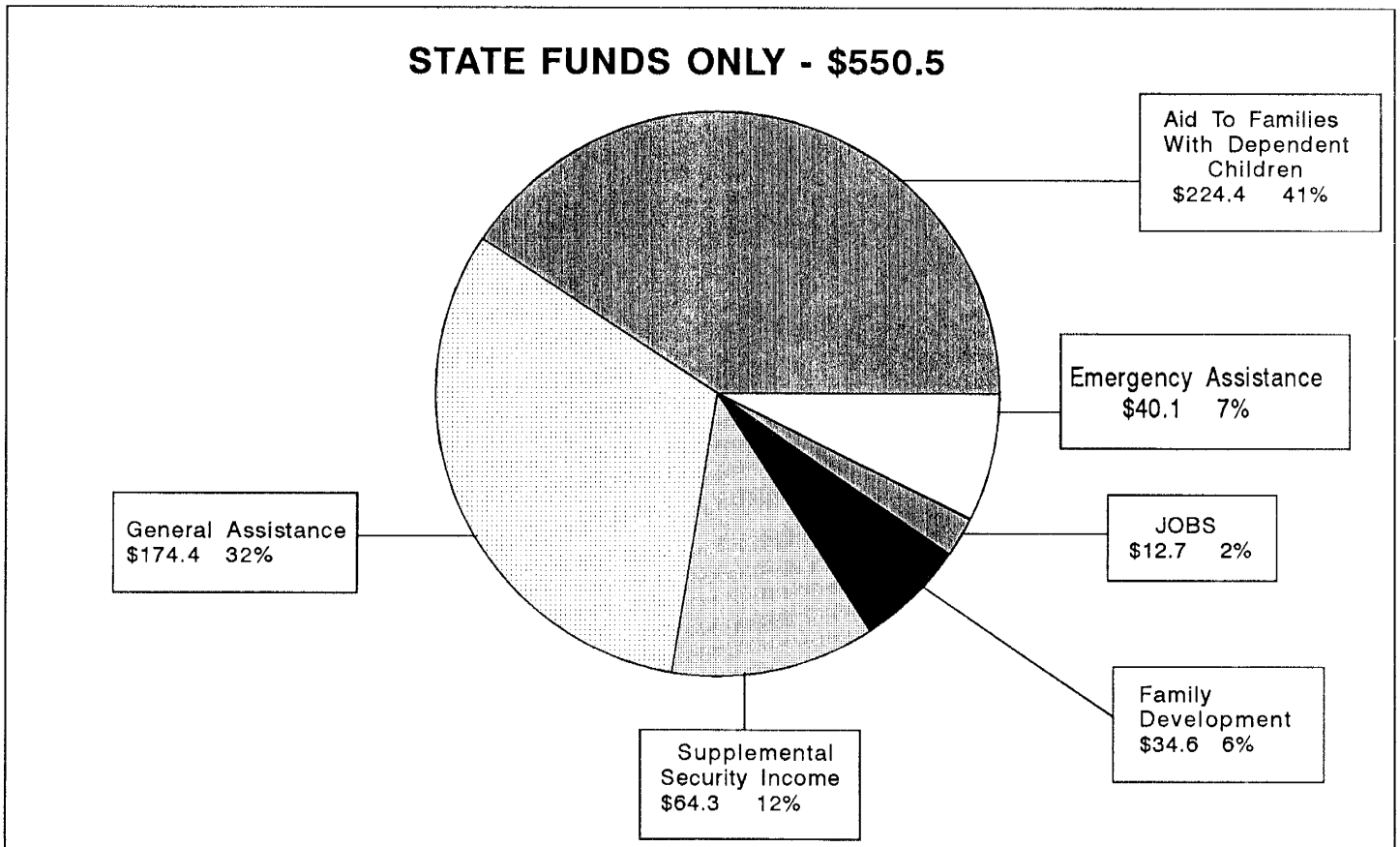
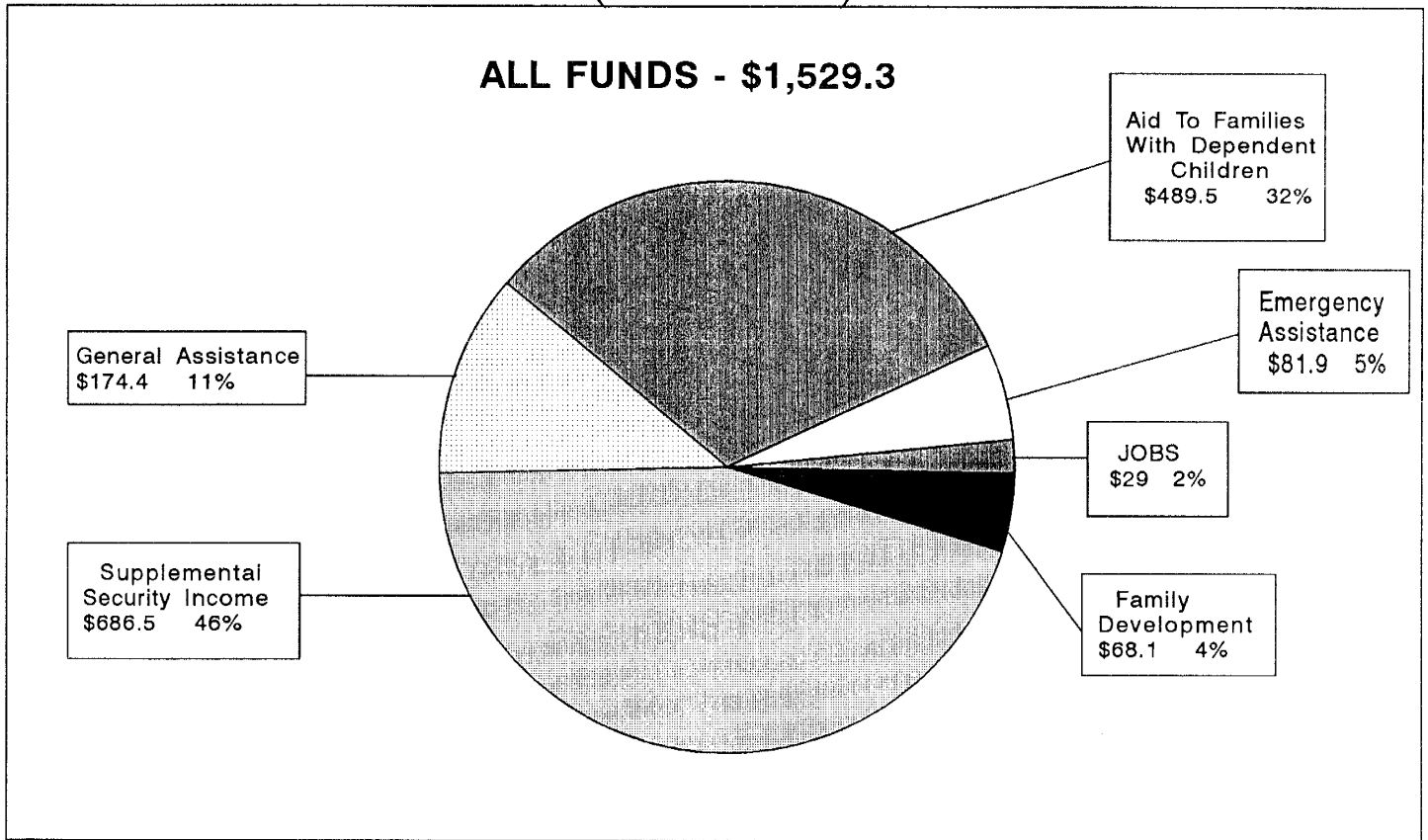
# Medical Assistance and Health Services State Expenditures (General Fund Only)

Expenditures (In Millions)

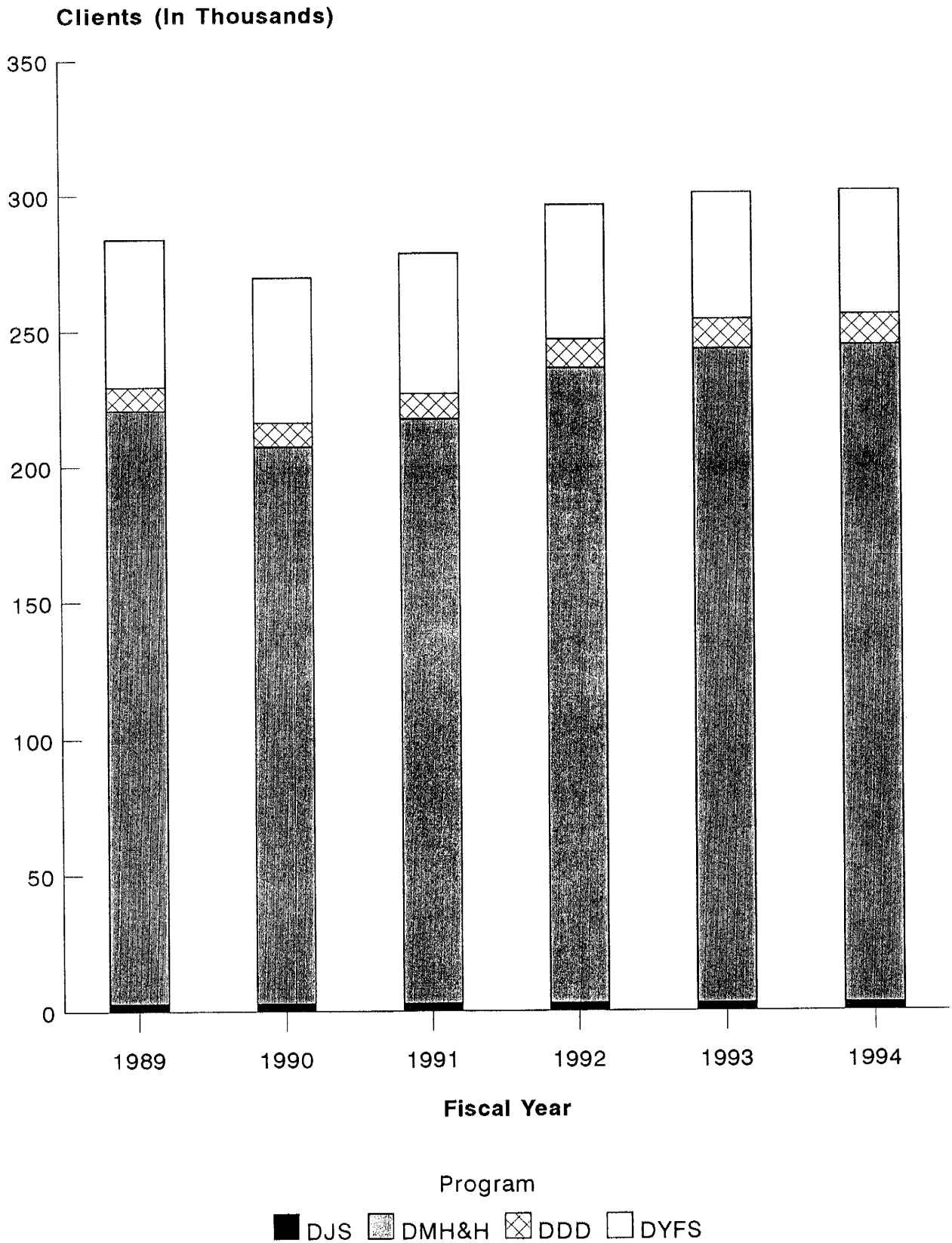


Beginning fiscal year 1993, includes programs previously funded by the Casino Revenue Fund.

# New Jersey Income Assistance Programs FY 1994 Funding By Program (In Millions)

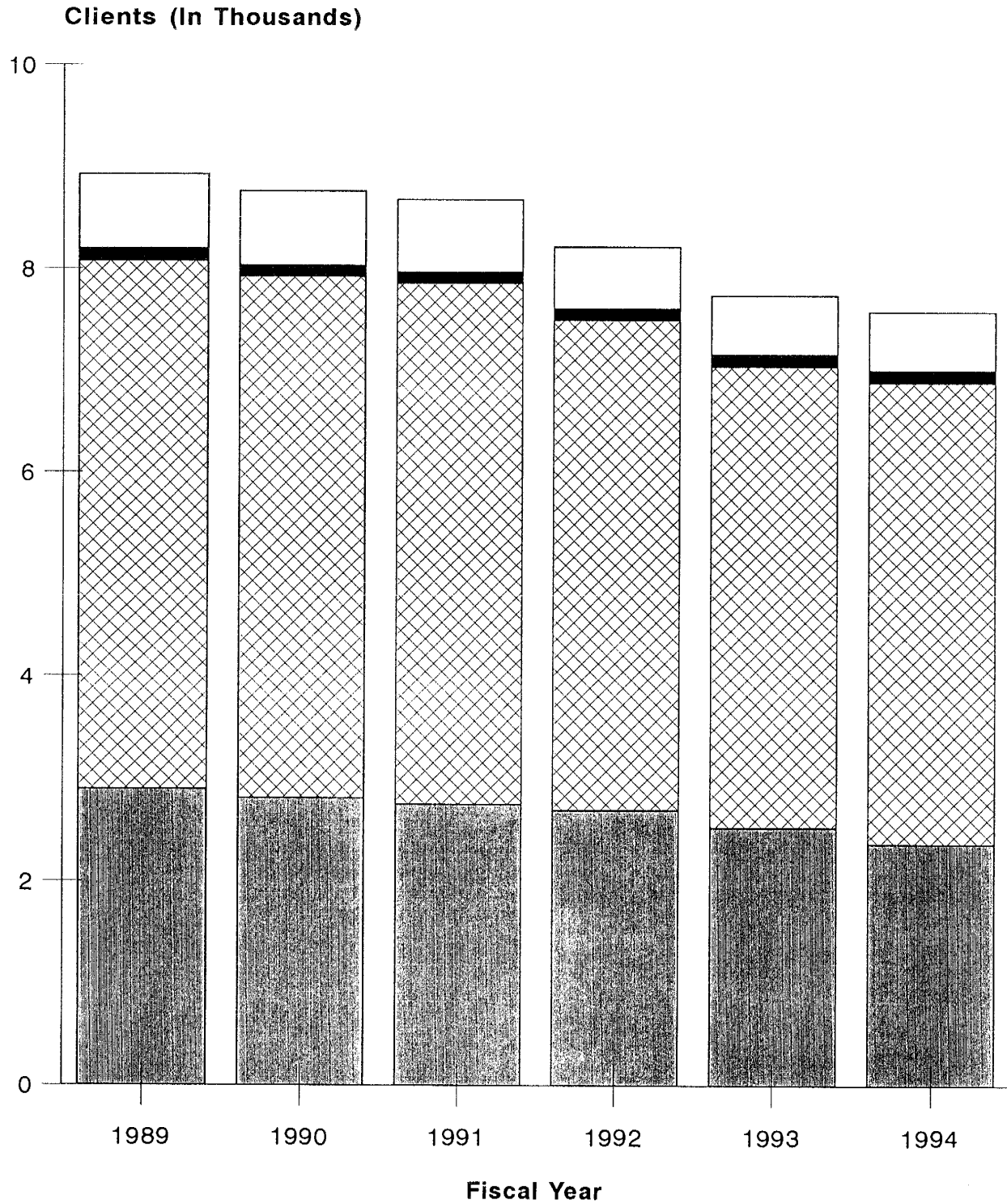


# Clients Served Community Care Programs





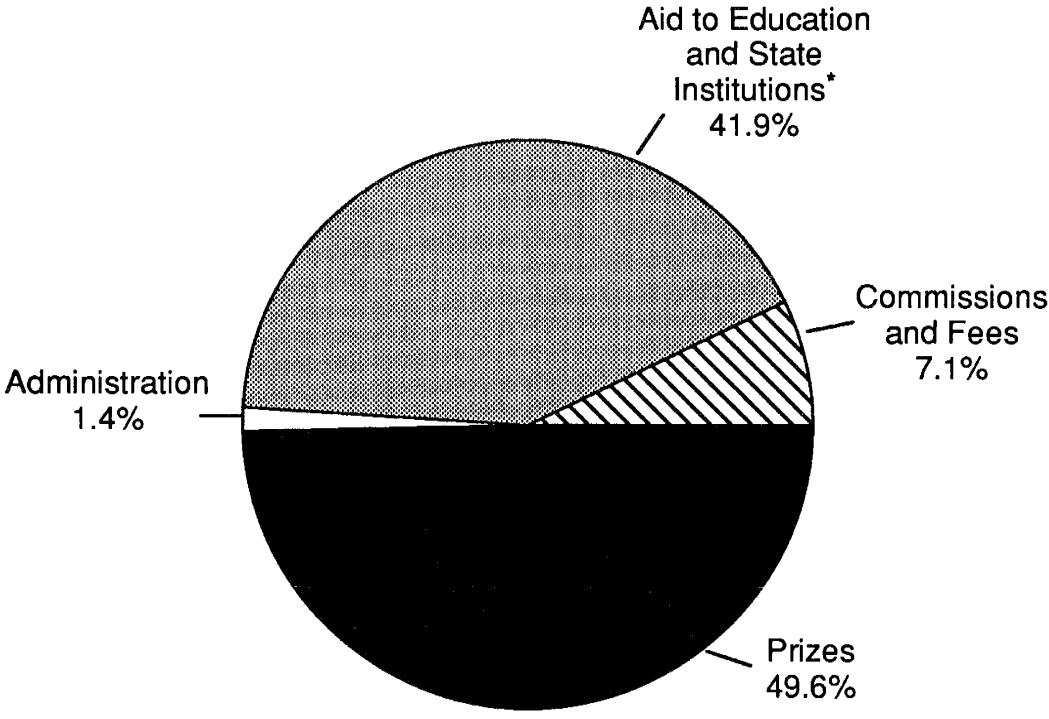
# Average Daily Population Institutions



**Program**

DMH&H DDD DYFS DJS

# LOTTERY FUNDS FISCAL YEAR 1994 ESTIMATES



\*State law requires that at least 30 percent of the Lottery's revenues be used for state institutions, education and higher education programs. For fiscal year 1994 it is projected that almost 42 percent or \$590 million will be used for these purposes.