



Summaries of Appropriations

This section includes a selection of tables and charts which summarize the Governor's Budget recommendations, and highlight significant changes and policy initiatives.

SUMMARIES OF APPROPRIATIONS

THE BUDGET IN BRIEF

GENERAL FUND

Resources

(thousands of dollars)

Undesignated fund balance, July 1, 2006	514,628	
Revenues anticipated	18,504,392	
Total Resources		19,019,020

Recommendations

Direct State Services	6,253,569	
Grants-in-Aid	8,563,099	
State Aid	2,195,046	
Capital Construction	1,274,893	
Debt Service	432,785	
Total Recommendations		18,719,392

Undesignated fund balance, June 30, 2007		299,628
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SURPLUS REVENUE FUND

Resources

Undesignated fund balance, July 1, 2006	300,372	
Total Resources		300,372

Undesignated fund balance, June 30, 2007		300,372
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PROPERTY TAX RELIEF FUND

Resources

Undesignated fund balance, July 1, 2006	—	
Revenues anticipated	11,615,000	
Total Resources		11,615,000

Recommendations

Grants-in-Aid	1,340,188	
State Aid	10,274,812	
Total Recommendations		11,615,000

Undesignated fund balance, June 30, 2007		—
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GUBERNATORIAL ELECTIONS FUND

Resources

Undesignated fund balance, July 1, 2006	—	
Revenues anticipated	700	
Total Resources		700

Recommendations

Public Financing of Elections		—
Total Recommendations		—

Undesignated fund balance, June 30, 2007		700
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CASINO CONTROL FUND

Resources

Undesignated fund balance, July 1, 2006	8,527	
Revenues anticipated	63,512	
Total Resources		72,039

Recommendations

Regulation of Casino Gambling		72,039
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Undesignated fund balance, June 30, 2007		—
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CASINO REVENUE FUND

Resources

Undesignated fund balance, July 1, 2006	—	
Revenues anticipated	468,087	
Total Resources		468,087

Recommendations

Programs for senior citizens and handicapped persons		468,087
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Undesignated fund balance, June 30, 2007		—
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NOTES

BUDGET HIGHLIGHTS

OVERVIEW

Governor Jon S. Corzine's proposed Fiscal 2007 Budget seeks to restore fiscal integrity to the State of New Jersey. This \$30.9 billion Budget is an important first step in a multi-year process to reestablish prudent fiscal management. A fundamental principle reflected throughout this Budget is that we, as a State, must pay the bills for the current operations of State government. We cannot continue to defer the costs of our decisions to future generations, or even until next year. This simple practice of matching current expenditures with current revenues has been missing from State budgets for too long.

This Budget exhibits a strong sense of fiscal discipline by matching ongoing spending with ongoing resources in a realistic manner. This Budget is a fiscal plan that makes hard choices in a way that is responsible and sustainable into the future.

Absent the tough choices proposed in this Budget, the State's spending would have grown in the coming fiscal year to approximately \$34 billion, or nearly a 21% increase from this year's original total appropriation. Inclusive of full funding of pension obligations and the Governor's commitment to restore the Property Tax rebates to 2004 levels, that growth in expenditures and requested programs would have exceeded the growth in resources by over \$4.8 billion. Simply stated, we cannot afford that. Accordingly, this proposed Budget addresses that gap through a combination of program and spending reductions, constrained growth and selected revenue enhancements.

Some of the major highlights of this proposed Budget include:

- Achieving balance through a greater reliance on spending reductions and constraining growth (\$3.0 billion) than revenue enhancements (\$1.8 billion);

- Reduction of more than 1,000 staff positions with accompanying savings of \$54 million through a rigorous hiring freeze, administrative efficiencies and responsible reorganization of select government functions. Limiting the filling of attrited vacancies will yield opportunities to not only control government growth but also to do more with less by enhancing management efficiencies and streamlining services;
- Creating a new Office of Economic Growth to coordinate the actions of State government designed to grow the economy and create jobs. It also will work closely with the State's business, labor, and community leaders and local and county economic officials;
- Creating, by Executive Order, a new Office of Homeland Security and Preparedness within the Department of Law and Public Safety to coordinate security programs across all levels of government and to oversee the distribution of related State and federal funds;
- Creating a new Department of Children and Families, focusing attention on child welfare and related issues;
- Providing Tax Relief for Lower Income Working Families;
- Use of non-recurring resources for ongoing spending is limited to approximately \$500 million, of which nearly half is attributable to increased current year surplus achieved through restrained spending. This amount represents only 18% of the average one-time revenue used over the past four fiscal years and is less than 2% of the total State appropriations proposed in the Fiscal 2007 State Budget;

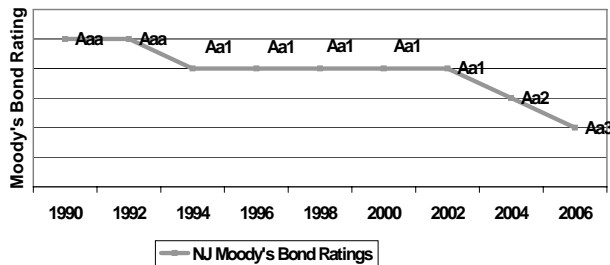
SUMMARIES OF APPROPRIATIONS

- Proposing a one percentage point increase in the State Sales Tax and broadening of its base in order to provide recurring revenue stability in the Budget;
- Maximizing federal revenues and reimbursements;
- Targeting for elimination waste, fraud and abuse of taxpayer dollars;
- Investing limited resources to protect and increase opportunities for New Jersey's most vulnerable citizens. These initiatives are responsibly limited to a total of \$50 million in new spending, or approximately two-tenths of 1% of the entire Budget;
- Revenues realized from one-time sales of capital assets will not be used to fund ongoing expenses. The proposed investing of \$80 million on one-time, long-overdue capital improvement projects that will improve the quality of life for the people of New Jersey follows this principle.

Fiscal Solvency: Defining the Problem

New Jersey, in only 20 years, has gone from being a financial powerhouse, characterized by strong job growth and consistent budget surpluses, to having one of the largest structural deficits of any state in the country. As noted on the chart below, the State's bond rating has been in steady decline since 1992, when it last held triple A status. New Jersey is one of only 9 states whose bond ratings have been downgraded by Moody's Investors Service since the recession of 2001 and have not recovered.

New Jersey: Moody's Bond Ratings Since 1990



Moody's has downgraded NJ's bond ratings three times since 1992, when NJ had the highest rating--Aaa.

Last year, while states across the U.S. increased their budgets by an average of 6.3%, New Jersey was one of only five states to enact a budget that was essentially flat against the previous year's Budget. However, that was not nearly enough. With state budgets at their healthiest levels in five years, many other states have recently decided to expand services or reduce taxes. Yet New Jersey continues to struggle with a substantial shortfall. This structural problem is not of recent vintage, but rather has persisted on a bipartisan basis across multiple Administrations. Given New Jersey's high per capita income and relative wealth, the obvious question is: How did we let this happen?

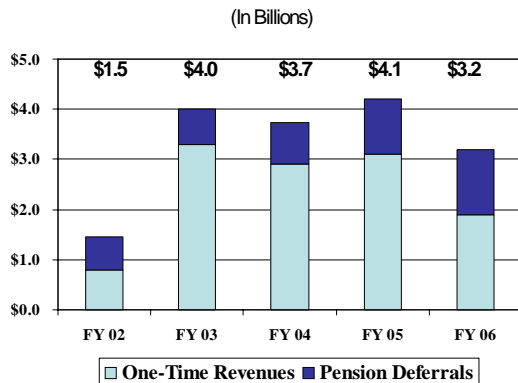
Past budget messages dutifully quoted the rhetoric of fiscal restraint and "living within our means." However the difficult decisions often gave way to fiscal gimmicks, over-reliance on non-recurring revenues, and a conscious strategy to defer costs to the future. Gimmicks ranged from the convenient, such as slipping school aid or property tax relief costs into the previous or following fiscal year, to the persistent practice of selling long-term bonds to cover short-term operating costs.

Between fiscal 2002 and fiscal 2006 *alone*, the use of non-recurring revenue and cost deferrals totaled more than \$16 billion including, most prominently:

- Delayed pension contributions (\$4.5 billion);
- Securitization of tobacco settlement, cigarette tax and motor vehicle revenues (\$4.7 billion total);
- Ongoing diversions from the Unemployment Insurance Fund (\$1.6 billion).

SUMMARIES OF APPROPRIATIONS

NJ's Use of One-Time Revenues & Pension Contribution Deferrals FY 2002 to FY 2006

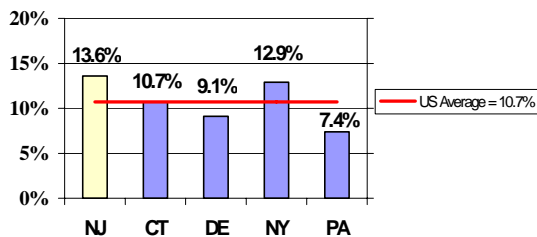


NJ has utilized more than \$16 billion in one-time revenues & pension contribution deferrals over the last five years.

One-time approaches to budgeting mask a simple, critical fact: the State's rate of spending far exceeds its ongoing revenue, which is the core of New Jersey's structural imbalance.

Additionally, budget control has been less than adequate. For example, in fiscal 2005, New Jersey's major tax revenue increased by 13.6% over the previous year, a rate higher than any of its neighbors and above the national average of 10.7%. Unlike other states, however, this increase in revenue did not lead to a large State surplus.

NJ's Increase in Tax Revenues vs. Neighboring States and U.S. Average* FY 2004 - FY 2005



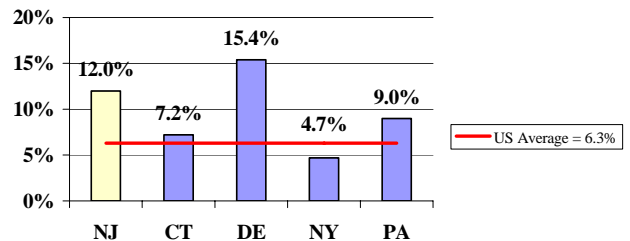
*Nicholas W. Jenny, "Solid Footing for State Finances," Nelson A. Rockefeller Institute of Government State Fiscal Brief No. 75, March 2006, Table 3.

In FY 2005, NJ's tax revenue grew faster than in all neighboring states and the U.S. average.

That is because spending of State resources in New Jersey during that year increased by 12%, nearly double the national average of 6.3%, and would have been even higher if the State's pension

obligations had been properly funded and recognized.

State Resources: NJ's Spending Increase vs. Neighboring States and U.S. Average* FY 2004 - FY 2005

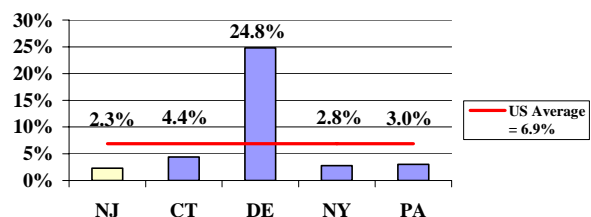


*This spending is from general funds & other state funds, excluding bonds. National Association of State Budget Officers, State Expenditures Report 2004, Table 2.

In FY 2005, NJ's spending increase was higher than all but one of its neighboring states, and was almost double the U.S. average.

The result is that, in fiscal 2005, New Jersey ranked 46th among all the states in the size of its State Budget surplus as a percentage of total State spending. As noted on the chart below, New Jersey ranked lower than all of its neighboring states in this measure. Unfortunately, since fiscal 2002, New Jersey has consistently ranked near the bottom of states, never rising higher than 35th in the country.

NJ's FY 2005 Budget Surplus as Percent of Its Spending vs. Neighboring States & U.S. Average*



* National Association of State Budget Officers, Fiscal Survey of States: December 2005, Table A-12.

In FY 2005, NJ's Budget surplus as a % of its spending ranked 46th among all states.

Over time, the degree of flexibility in the State Budget has decreased sharply as cost growth attributable to mandated programs (e.g., Medicaid), fixed costs (e.g., Employee Benefits),

SUMMARIES OF APPROPRIATIONS

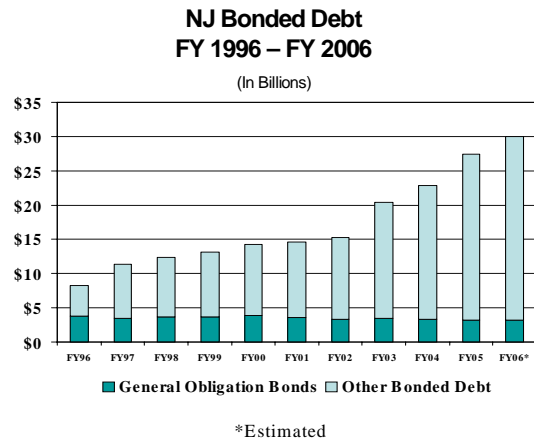
contractual commitments (e.g., collective bargaining settlements), court decisions (e.g., Abbott school districts, Child Welfare Reform), School Aid, and debt service have grown. These items now represent at least \$18.4 billion or approximately 60% of the State Budget.

Constitutional and statutory dedications have also increased budget rigidity, as they elevate certain spending above other competing priorities. Examples include Neighborhood Preservation, Shore Protection, and Open Space Preservation which, though laudable in their goals, were typically supported through the dedication of *existing* revenues, thus widening the structural deficit. *Excluding* the \$12 billion constitutionally dedicated from the income tax for property tax relief, program dedications presently lay claim to an additional \$4 billion in State revenue, or 13% of total resources. When added to the non-controllable programs described above, *nearly 75% of State resources are spoken for in a typical Budget.*

Our increased appetite for debt presents a further problem. In the past ten years alone, New Jersey has more than tripled its bonded indebtedness, from \$8.1 billion in fiscal 1996 to \$30 billion in fiscal 2006. As a result, debt service grew by 56% (\$0.9 billion) from fiscal 2003 (\$1.6 billion) to fiscal 2007 (\$2.5 billion), far outpacing base General Fund revenue growth, which increased 22% during that period. Debt Service, as a percent of base State revenues, increased from 10.5% in fiscal 2003 to 14% in fiscal 2007. High profile, high cost programs often were enacted into law, with no distinct revenue source to carry the debt service. Instead, the General Fund typically assumed the burden. Where a new revenue source *was* identified, it was often far less than required. In the case of School Construction, which alone accounted for \$8.6 billion in authorized debt, revenue dedicated from the State's cigarette tax covers only \$50 million (13%) of the estimated \$342 million in debt service projected for fiscal 2007. To make matters worse, savings from debt refinancing were often used to plug holes in the State Budget, which was the case with approximately \$430 million of one-time capital relinquished through a general obligation restructuring implemented in fiscal 2006 and the

deferral of debt payments on cigarette and motor vehicle securitizations.

We intend to continue to seek bond restructuring opportunities to reduce the State's overall borrowing costs. However, we will not use those benefits to meet our operating expenditure needs.



NJ's bonded debt has more than tripled over the last decade.

With little room for error, budget planning becomes paramount. However, the budget process in New Jersey has historically focused on the coming year, providing little in the way of multi-year planning to rationalize a larger context for funding decisions. In the absence of a formal long-range financial plan, the structural imbalance can remain hidden or obscured, allowing discretionary spending to continue unabated.

There is no reason to think, absent the application of some tough medicine, that this structural gap is likely to shrink on its own. In short, we will not simply "grow our way" out of this situation, as some would hope. Unconstrained by the actions proposed in this Budget, expenditures were projected to grow at approximately 21% above this year's original appropriation in fiscal 2007, 7% in fiscal 2008, and a similar percentage in fiscal 2009 and 2010. Those projected rates of growth exceed the average rate of growth of our baseline revenues since fiscal 2002.

Indeed, even with a continuation of the spending reductions and revenue enhancements proposed for fiscal 2007, *the current projection for the Fiscal 2008 Budget shows a budget gap of \$1.5 billion.*

Now is the time for *accountability*. Our objective is not to lay blame but to confront reality and honestly address the future. New Jersey residents deserve a hard look at the facts. They require their leaders to consider the options and make difficult decisions as to how we can correct this situation. This Budget begins to accomplish that.

Fiscal 2007 Budget: Achieving Fiscal Balance

This Budget proposes \$30.9 billion in State appropriations, an increase of \$2.6 billion or 9.2% above the \$28.3 billion adjusted appropriation for fiscal 2006. The adjusted appropriation does not include \$400 million in carried-forward spending. When this item is taken into account, the State's current spending in fiscal 2006 amounts to \$28.7 billion. For the most part, this increase is not the result of more services or aid, but rather reflects the true cost of State services already being provided and the elimination of one-time resources in this Budget.

In arriving at that recommendation, it was necessary to solve a structural deficit of approximately \$4.8 billion (17%) when compared to the original Fiscal 2006 Budget. This shortfall includes resources necessary to meet growth in existing programs, 100% funding of the State's pension contribution, a restoration of the homestead rebate to 2004 levels plus 10%, and Governor Corzine's request for \$50 million in critical new programs.

To achieve fiscal balance, the Governor is recommending a total of \$3.0 billion in spending reductions, growth restraint, funding of pensions at the 70% level, an increase of only 10% from the level of the 2005 homestead rebate, and a package of revenue enhancements that will raise \$1.8 billion.

With a deficit so deep, the decisions were often anguishing. As two prime examples, formula-based School Aid, exclusive of pension growth for teachers, is generally flat-funded against the current year budget, as are the major Municipal Aid programs (Consolidated Municipal Property Tax Relief Aid and Energy Tax Receipts). The

depth of this fiscal dilemma simply afforded no other choice.

To determine the best course, several key, guiding principles were applied:

- Constrain the rate of expenditure growth, which had become unsustainable;
- Match recurring expenses with recurring revenues to impose fiscal discipline;
- Spread the fiscal pain as equitably as possible while protecting vulnerable client populations and essential services;
- Aggressively pursue cost saving opportunities, targeting waste, fraud, and abuse, and maximizing federal reimbursements, including program areas where other states have successfully applied efficiencies.

The \$3.0 billion in spending reductions in this Budget may be characterized in three ways: reduced spending growth, cuts in base budget spending, and management efficiencies. Some of the more prominent examples are listed below:

Constrain Spending

- **School Aid and Municipal Aid** are flat funded, exclusive of additional aid for teacher pensions and post-retirement medical benefits;
- **Higher Education (\$122 million):** This Budget does not provide growth for fringe benefits (\$80 million) and salary increases (\$42 million) for senior public colleges;
- **Nursing Homes and Medical Day Care (\$26 million):** Costs will be rebased, however no inflationary adjustment is provided.

Base Spending Reductions

- **Fiscal 2006 Legislative Additions (\$193 million):** Special appropriations for a variety of programs funded by the Legislature in the current fiscal year are eliminated;

SUMMARIES OF APPROPRIATIONS

- **Higher Education (\$117 million):** Reductions of 10% in the State subsidy to senior public institutions (\$89 million), county colleges (\$16 million) and a 50% reduction in aid to independent colleges (\$12 million), all of which will need to seek the same types of cost efficiencies that the State plans to employ.

Efficiencies

- **Prescription Drug Savings (\$145 million):** A series of cost-savings initiatives in pharmaceutical drugs totaling \$145 million, including bulk purchasing and expanded use of generic drugs, will reduce budget growth in programs such as Medicaid, Pharmaceutical Assistance for the Aged and Disabled (PAAD), and the State Health Benefits Program. Rather than purchasing drugs separately, these programs will join together to secure the best price possible. These measures represent wise business practices, many of which have been aggressively employed in other states;
- **Human Services – Shift to Federal (\$118 million):** This initiative in the Department of Human Services shifts eligible State salary costs to available federal funds at the seven State developmental centers by taking advantage of prior year revenue enhancements and projected increases in fiscal 2007 federal revenue (\$112 million), and in the Division of Mental Health Services by claiming federal matching funds for certain administrative expenditures (\$6 million);
- **Fraud Detection (\$55 million):** Enhanced oversight of spending patterns in Medicaid and General Assistance through increased auditing and investigative staff. The base appropriation will be reduced to an amount that more accurately represents the true cost of the program, thus services will not be sacrificed.
- **Abbott District Afterschool/Summer Co-payment (\$30 million):** Families

living in Abbott school districts and earning more than \$60,000 per year will pay part or all of the cost of afterschool and summer child care for three- and four-year-olds.

In addition, a Hospital Provider assessment will generate \$430 million in new revenue, half of which (\$215 million) would go to the General Fund as budget relief. The remaining amount will leverage federal matching funds; therefore, the hospital industry will receive a total of \$430 million, the same value as the tax, in the form of higher Medicaid payments.

On the revenue side, there are base revenues totaling \$29 billion and revenue enhancements of \$1.8 billion. With regard to the latter, the largest recommendation is a one percentage point increase in the State sales tax rate, from the current 6% to 7%. In addition, the application of the Sales Tax would be expanded to capture certain consumer services that, since the inception of the tax in 1967, have come to comprise a large and growing portion of our economy. The full Sales Tax initiative is estimated to raise \$1.4 billion in new revenue annually, accounting for over 70% of the total revenue enhancements proposed for fiscal 2007. Other major revenue initiatives are highlighted below:

Miscellaneous Revenues - State Programs

\$100m	Urban Enterprise Zone Reform - reduce fraud and abuse by requiring qualified businesses to collect the full sales tax on equipment purchases and subsequently seek a rebate from the State;
\$60	Corporation Business Tax (CBT) - surcharge of 2.5%, effective on or after January 1, 2006. (The CBT currently accounts for approximately 8% of total State revenue collections.)
\$50	State Disability Benefit Fund (TDI) - transfer of a portion of the existing balance from this Fund;
\$38	NJ Turnpike Authority – transfer of revenue to offset the Department of Transportation’s operating costs for maintaining State highways;
\$36	Audit and Enforcement Collection;

\$24	Rural Policing – certain localities who request State Police patrol services will reimburse the State for a portion of that cost based on budget language.
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Other Revenue Initiatives

\$80m	Cigarette Tax - increase of 35 cents, from the current \$2.40/pack (of 20) to \$2.75/pack (of 20);
\$17	Realty Transfer Tax - Commercial Property Exceeding \$1 Million – expand existing Realty Transfer Tax surcharge on residential property to include commercial buildings, effective July 1, 2006;
\$17	Surcharge on New Luxury Car Registrations (Value-based) – one-time registration fee of 0.4% on newly-registered vehicles (after June, 2006) applied to two types of vehicles: those with a sticker price of \$45,000 or more and fuel-inefficient vehicles with an EPA rating of less than 15 miles per gallon;
\$12	Water Supply Surcharge - increase of .04 cents/1,000 gallons, dedicated to water supply capital projects;
\$12	Alcoholic Beverage Excise Tax - increase of 5 cents/gallon on beer (i.e., from current 12 cents to 17 cents/gallon), 10 cents/gallon on wine (i.e., from current 70 cents to 80 cents/gallon) and liquor (i.e., from current \$4.40 to \$4.50/gallon), effective July 1, 2006.

(See Revenue Forecast and Initiative section for further details on revenue-related items.)

Fiscal 2006 - Managing the Current Budget

Continuing the trend from last year, the Fiscal 2006 Budget is being managed without mid-year program reductions, although restrictions on statewide hiring and other management efficiency measures have been implemented. Revenues are

slightly above the original estimate that was made at the time of the Appropriations Act, but several supplemental appropriations and funding reallocations are necessary to accommodate additional spending requirements. A number of accounts with under-spending have been identified to accommodate these needs, and those resources, combined with a higher than expected opening balance, will allow fiscal 2006 to close with a prudent fund balance of over \$800 million.

Some of the larger supplemental spending needs projected for fiscal 2006 are summarized below.

- \$92 million – Education Opportunity Aid to Abbott school districts mandated by court decisions and based on final awards;
- \$70 million – Medicaid and a FamilyCare shortfall caused by higher than anticipated enrollments, increased drug costs, and a shift to the General Fund of costs that are no longer supported by the Health Care Subsidy Fund;
- \$66 million – Special Municipal Aid to municipalities facing the most severe fiscal conditions to assist them in recovering from fiscal distress and improving management and financial practices;
- \$33 million – Nursing Homes and Medical Day Care increased utilization costs;
- \$22 million – Reimburse counties for the cost of housing State inmates in county correctional facilities;
- \$17 million – Additional School Aid;
- \$14 million – Snow removal;
- \$13 million – Energy Assistance programs for low-income residents;
- \$12 million – Expansion of court-mandated preschool programs in Abbott school districts.

SUMMARIES OF APPROPRIATIONS

Fiscal Year 2007 Budget Compared to Fiscal Year 2006 Budget				
(in Millions)				
	FY 2006	FY 2007	Change From	
	Adjusted		Budget	FY 2006 - FY 2007
	<u>Appropriation</u>		<u>\$</u>	<u>%</u>
State Aid	11,529	12,505	976	8.5%
Grants-in-Aid	9,423	10,335	912	9.7%
Operating Departments	4,185	4,082	(104)	(2.5%)
Interdepartmental	1,867	2,245	378	20.2%
Capital Construction	1,091	1,275	184	16.8%
Debt Service	169	433	263	155.6%
Total Appropriations	<u>\$28,265</u>	<u>\$30,875</u>	<u>\$2,609</u>	9.2%

When viewed by category of funding, the recommended Fiscal 2007 Budget is allocated as follows:

- \$22.8 billion (74%) is either State Aid (\$12.5 billion, 40.5%) or Grants (\$10.3 billion, 33.5%);
- Direct State Services (DSS) totals \$6.3 billion (20.5%). When adjusted for required increases in the Department of Children and Families and without Interdepartmental, Judiciary, and the Legislature, the DSS recommendation for Executive Branch Departments decreases by approximately \$197 million, or about 4.9%.
- State Aid increases by \$976 million or 8.5%;
- Grants increase by \$912 million or 9.7%;
- General Obligation debt service increases by \$263 million due to restructuring, which provided immediate budget relief in fiscal 2005 and 2006, rather than being scheduled over time.

GOVERNOR'S PRIORITIES

Governor's Priorities

Tax Relief for Lower Income Working Families

Supporting Special Education Needs

Increasing Affordable Housing Opportunities

Investing in Our Youth: Increasing Afterschool Care

Expanding Health Insurance for Children

Fighting Hunger

Reducing Gang-Related Violence

Promoting Women's Health

Addressing Violence Against Women

Children and Families

Economic Growth

Homeland Security

Governor's Priorities - Overview

In slightly more than a decade, New Jersey has gone from an economic powerhouse to financial distress. The severe budget crisis in the State means the Corzine Administration is forced to make tough and painful choices. This Budget compensates for some of the most painful choices by investing limited resources to protect, and increase opportunities for, New Jersey's most vulnerable citizens. These investments include expanding opportunities for affordable housing, eliminating the income tax burden on the lowest paid New Jerseyans, investing in special education to provide relief to schools and families, fighting hunger, improving child welfare, addressing the gang violence that plagues our communities and our homes, and expanding health care for children and low-income women. These choices embrace

the values of equality, opportunity, and fairness for all New Jerseyans.

Tax Relief for Lower Income Working Families

A signature initiative of Governor Corzine's Budget is his proposal to entirely eliminate the income tax burden on 414,000 households, and to significantly reduce the income tax on an additional 200,000 taxpayers. This initiative will help seniors who are working to supplement their Social Security checks, single mothers struggling to balance part-time jobs with child care, college students paying their way through higher education, and men and women who work hard every day, but earn too little to get ahead.

SUMMARIES OF APPROPRIATIONS

Governor Corzine believes strongly that we should mitigate the impact of the spending cuts and taxes in this Budget on the most vulnerable among us. Even those working above the minimum wage have difficulties making ends meet and obtaining financial independence. We must keep those who are struggling to put food on their families' tables and earn enough to pay their monthly rent checks from falling farther into the likelihood of poor health, deficient housing, and other consequences of inadequate resources.

In the effort to break the grip of poverty in our communities, the 100% refundable credit will be given to married couples with total taxable income below \$25,000 and to singles (and married couples filing separately) below \$15,000. A partial credit will be provided to these New Jerseyans as their income rises and they ease into becoming full taxpayers at \$30,000 (married) and \$20,000 (single). With a budget impact estimated at \$105 million per year, this tax relief will help ensure that these families are financially secure.

Supporting Special Education Needs

Federal funding for special education falls dramatically short of federal promises and shortchanges the needs of special education students. When the Individuals with Disabilities Education Act (IDEA) was first established, the federal government promised to pay 40% of the national average per pupil expenditure; however, the federal government has never fully funded IDEA. For fiscal 2007, the federal government proposes to fund just 17% of its obligation. Governor Corzine recognizes this shortfall and seeks to assist school districts in meeting the high costs of special education.

Since 2000, the number of children classified as autistic has more than doubled from 3,300 to 7,400. More specifically, New Jersey appears to be experiencing an increase in the incidence of autism spectrum disorders, which are a group of life-long developmental disabilities characterized by differences in social interaction, communication skills, and behavior. Autism spectrum disorders include autistic disorder, pervasive developmental disorder, and Asperger's disorder.

In New Jersey, many students with autism are currently educated in out-of-district separate public or private programs, which are typically the most expensive special education placements. In 2005, about 40% of students with autism were educated in out-of-district separate public or private programs, compared to 9% of all students with disabilities.

To address these trends and high costs, approximately 140 school districts across the State have started autism programs within their districts. Of those districts, about 50, or 35%, increased the number of autistic programs they provided last year.

The Governor seeks to address some of the immediate needs of school districts that operate or plan to operate in-district programs for students with autism spectrum disorders. This Budget proposes \$15 million for a grant program for districts to help with their planning and start-up costs of these programs. Districts will be able to use these funds for professional development, personnel costs, special education teachers, program coordinators, behavior intervention specialists, parent outreach, transition planning, assistive technology, and similar activities. Multiple districts will be able to apply for the grants jointly if they have plans to collaborate on programs that serve multiple communities.

While proposing this \$15 million in funding to support students with autism spectrum disorders, the Governor also recognizes that school districts face challenges in serving special education students with other needs. This Budget includes \$4.5 million in new grants funding for planning and start-up costs for districts that seek to develop or enhance their special education programs. Many districts are facing high costs to send special education students to out-of-district placements, and they cannot afford the planning and start-up costs for in-district programs in addition to their immediate special education costs. Like the grants to develop capacity for in-district programs for students with autism spectrum disorders, these grants will be available for activities such as professional development, personnel, transition planning, and assistive technology. We intend to encourage cross-district planning so we can begin

an effective and efficient multi-district approach to meeting the needs of this most vulnerable population.

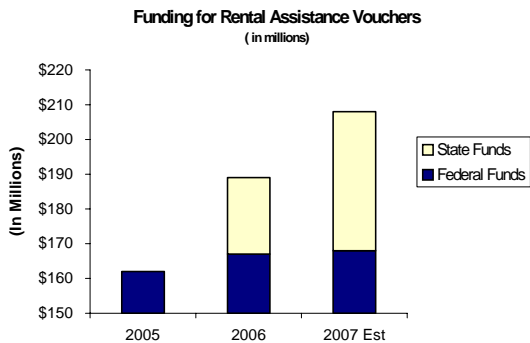
Increasing Affordable Housing Opportunities

Skyrocketing housing prices have contributed to making New Jersey increasingly unaffordable for too many families. The most recent data available from 2004 shows that in New Jersey, 38% of households with a mortgage and more than 47% of all renting households spent more than 30% of their income on housing costs, which is the widely accepted standard for affordability.

To combat this challenge, Governor Corzine is committing to create and preserve 100,000 units of housing that is affordable for low- and middle-income families over the next 10 years.

Increased Funding - Rental Assistance Program

More than 40,000 New Jerseyans are currently on waiting lists for affordable rental housing vouchers. The NJ State Rental Assistance Program (SRAP) was implemented in May 2005, providing a boost to federal Section 8 rental assistance. Governor Corzine proposes increasing State resources for SRAP by \$15 million, including a \$10 million increase in State appropriations and \$5 million in dedicated dollars from the Balanced Housing Fund. This raises total State resources for this program to \$40 million, which will provide rental vouchers to allow an additional 1,500 families to afford decent housing.



With increased State resources, state-funded rental assistance vouchers will almost double, to 4,100 vouchers in FY 2007.

Making Homeownership Affordable

Helping to fulfill the dream of home ownership for New Jerseyans is a means for empowering people while investing in New Jersey’s future. This Administration will work to increase homeownership opportunities for everyone in this State, which in turn allows New Jersey’s residents to make a positive contribution to the economy.

Last year, the State, through the Housing Mortgage and Finance Agency (HMFA), provided 600 first-time homebuyer mortgages. The Corzine Administration proposes to double the amount of first-time homebuyer mortgages provided to 1,200 in fiscal 2007 at no cost to our General Fund. These first-time homebuyer mortgages are necessary investments in New Jersey’s most precious asset: its people.

Investing in our Youth: Increasing Afterschool Care

The hours after school are a vital time for children and youth to experience enriching programs and activities that will improve their academic performance and keep them safe and productive. Afterschool programs provide children and youth with an important alternative to harmful activities, like drinking, drugs, violence, or gang-related activities.

According to a survey commissioned by the Afterschool Alliance, approximately one in four New Jersey children of working families is unsupervised in the afternoons. These “latchkey” children spend an average of nearly seven hours per week unsupervised after school.

The Budget reflects Governor Corzine’s renewed commitment to afterschool activities to address this unmet need. This is also a significant component of the Governor’s gang violence initiative. The proposed Budget would double funding for the New Jersey After 3 program to \$15 million to cover 2,000 more children by the end of the 2006-2007 school year.

With these additional funds comes additional responsibility. New Jersey After 3 is a public-private partnership that awards grants to non-profit

SUMMARIES OF APPROPRIATIONS

organizations to run high-quality afterschool programs at elementary and middle schools. This program is uniquely positioned to leverage private dollars for afterschool care, and this Budget requires that they commit to raising additional private funds to serve even more children.

New Jersey After 3 provides a significant return on investment. Research has shown that every dollar invested in afterschool programs will save taxpayers approximately \$3 in improved school performance, increased future wages, and reduced crime and welfare costs. The benefits from afterschool activities are even greater for at-risk children, who are likely to have repeated problems with crime, drugs, or other challenges; each dollar invested in afterschool programs for an at-risk child has a return of \$8 to \$12. This is an investment New Jersey cannot afford to let pass.

Just as New Jersey After 3 holds its grantees to a high level of accountability, the State intends to hold New Jersey After 3 accountable for serving more children and expanding the pool of resources for afterschool programs through private fundraising. In addition, the Governor would like to see increased coordination between New Jersey After 3 and the other State and non-profit afterschool programs. This increased coordination will help ensure that more children and youth have access to high quality afterschool programs.

Expanding access to afterschool programs is not the Governor's only goal. New Jersey After 3 will also enhance the quality of afterschool programs statewide by working with the Department of Education, the Department of State, and other agencies to integrate more cultural, art, and historical activities and events into afterschool programs. This cultural enrichment will provide unique learning opportunities during the afterschool hours.

Expanding Health Insurance for Children

In addition to being a moral imperative, providing health insurance for children is vital to New Jersey's overall health. Expanding insurance coverage for children increases access to preventive and primary care, thereby improving

health outcomes and school attendance; reducing caretaker absenteeism from work, emergency room visits and charity care costs; and lessens stress and financial difficulties for families. In short, healthier children create healthier families and a healthier New Jersey. That is why Governor Corzine is investing \$5 million in FamilyCare. These funds, together with \$9.3 million of federal funding, will enable New Jersey to cover 50,000 additional children by June 2007.

New Jersey's strong commitment to insuring children dates back to 1998 when it created the NJ KidCare program. New Jersey's investment in KidCare enabled the State to leverage increased federal dollars – on a 65% federal match basis through the State Children's Health Insurance Program (SCHIP) – to help uninsured children access affordable health coverage. When KidCare first began, it provided free to low-cost health insurance for children in families earning up to 200% of the federal poverty level. In 1999, New Jersey strengthened its commitment to children using State-only funding to include children with family income up to 350% of the federal poverty level.

Over time, as KidCare evolved into the NJ FamilyCare program, through the addition of uninsured adults, one thing has remained constant – New Jersey is a national leader, covering nearly 400,000 of New Jersey's most vulnerable children in families who earn less than 133% of the Federal Poverty Level (\$26,600 for a family of four) and an additional 111,000 children in families who earn between 133% and 350% of the Federal Poverty Level (\$70,000 for a family of four). Despite the strengths of this program, however, too many children remain uninsured in New Jersey. Governor Corzine believes we can and will do better.

The 2005 "Family Health Care Coverage Act," sponsored by Senator Joseph Vitale, reformed the program and provided for an expansion of FamilyCare and Medicaid eligibility. In order to build on Senator Vitale's leadership and the Legislature's momentum toward achieving universal health coverage for children, Governor Corzine proposes \$5 million in additional State funds to strengthen FamilyCare. Through

aggressive interdepartmental collaborative efforts to maximize existing enrollment opportunities, as well as through targeted marketing and outreach, New Jersey will reach its goal of enrolling an additional 50,000 children by June 2007. Together, we will fulfill the promise of FamilyCare.

Fighting Hunger

In one of the most affluent States in the nation, approximately 1.6 million New Jerseyans still go to bed hungry, including roughly 470,000 children. That is why, despite severe fiscal constraints, Governor Corzine finds it unacceptable to leave these individuals behind in this Budget. For the last 11 years, New Jersey has spent only \$338,000 on hunger alleviation programs, the bare minimum necessary for New Jersey to receive matching federal funds. Approximately 500,000 New Jerseyans are turned away every year when they seek assistance in feeding themselves and their children.

The Budget calls for an investment of \$3 million in the Department of Agriculture's Food Distribution Program, which services the major Emergency Feeding Organizations and 660 food pantries, soup kitchens, and homeless shelters. With this increase in funding, New Jersey will take a large step toward alleviating hunger, enabling the Department of Agriculture to purchase 4.7 million pounds of food. This investment will expand the availability of food for more than 1.1 million individuals who already rely on the program and help feed an additional 500,000 people. Purchasing priorities will be to buy locally first and regionally second, when available.

While extensive reductions in state aid are necessary, we have a moral responsibility to support New Jersey's most vulnerable citizens. This investment— in conjunction with a \$1 million capital investment to improve food storage systems at distribution centers – makes significant strides toward alleviating hunger in the State.

Reducing Gang-Related Violence

Gangs have terrorized our neighborhoods for too long. Children should not be afraid to walk home from school, parents should not worry when their

children play outside, and law-abiding citizens should not be afraid to walk through their neighborhoods at night.

The Department of Law and Public Safety estimates that New Jersey's gang population has more than doubled in the last five years, from 7,400 in 2001 to 17,000 members today. The rapid growth of gang activity has spread beyond traditional law enforcement jurisdictions, necessitating pro-active regional and statewide solutions.

Governor Corzine's Budget includes \$2 million as the start of a new commitment to work with law enforcement, localities, and community partners to comprehensively reduce gang activity and ensure that our corrections and parole agencies better prepare individuals to be productive citizens upon their return.

Prevention

Keeping Children Safe After School Hours

According to FBI statistics, children are most vulnerable to juvenile and gang-related crime violence between the times of 3 p.m. and 6 p.m. Afterschool programs provide educational and recreational activities during these critical hours for otherwise unsupervised children. Studies have shown that afterschool programs can reduce juvenile crime and violence by 30% to 75%.

Governor Corzine plans to increase funding for New Jersey After 3, to provide opportunities for 13,000 children – 2,000 more than currently served – to participate in afterschool programs through the State, especially in neighborhoods with high gang activity.

Helping Children Combat Gang Recruitment

Helping our children to combat the pressure to join gangs should be a key component in any anti-gang strategy. *Project Phoenix* is a nationally recognized, gang prevention, curriculum-based program, sponsored by the Department of Education and the Juvenile Justice Commission (JJC). It currently serves 2,700 children in JJC facilities and county-operated detention centers. It has also been implemented in six schools – two in

SUMMARIES OF APPROPRIATIONS

Newark, two in Trenton, and two in Camden – serving 300 at-risk children. Governor Corzine seeks to expand this program by \$250,000 to include 100 more schools across the State, empowering an additional 5,000 more children to avoid gangs. This represents a seventeen-fold increase in the number of school children across New Jersey served by gang prevention education programs.

Criminal Justice

Dedicating Criminal Justice Resources to Fighting Gang-Related Violence

Bold and innovative action is necessary to dismantle gangs by bringing their members to justice. As a major step in that direction, the Attorney General will create a new “gang violence/organized crime” unit within the Division of Criminal Justice. The reorganization will focus exclusively on prosecuting gangs and organized crime units. This measure will not require additional resources in the Fiscal 2007 Budget.

Operation CeaseFire Expansion

Operation CeaseFire is a community-based response to gun violence in Newark and Irvington. Partnering with criminal justice, government, social service, faith-based, and community organizations, Operation CeaseFire reviews previous shootings in neighborhoods to prevent future shootings, conducts outreach to gang victims, and hosts prayer vigils and peace walks in neighborhoods where multiple shootings have occurred to show support to area residents.

Since the beginning of the program, shootings in the Newark and Irvington target areas have declined by 30%. The \$750,000 investment in Governor Corzine’s Budget would quadruple the Operation CeaseFire program, extending its reach to Trenton, Camden, and Jersey City, and enhancing existing services in Newark and Irvington.

Investing in Re-entry: Halfway Back

By investing in effective programs that assist former prisoners in transitioning home, we can help them become productive members of their communities and avoid the pressures that can lead

to gang membership. Sound re-entry policy and programs promote individual responsibility, reduce recidivism, and increase efficiency.

This Budget invests \$1 million in Halfway Back (HWB) to support additional parolees in making safe, productive decisions as they re-enter our communities. These residential treatment facilities provide structured treatment services to those who have committed technical parole violations so they do not return to prison. Services include drug treatment, relapse prevention, life skills training, anger management, employment counseling, and housing and transitional support services. According to research conducted by Drexel University in 2004, offenders who completed the New Jersey HWB program reduced their rate of recidivism by more than 30%.

HWB currently operates in seven facilities across New Jersey, utilizing 650 beds and serving an annual population of 2,400 people enrolled in four-month programs. The \$1 million increase would result in an additional 50 beds, serving an additional 150 parolees annually.

Promoting Women’s Health

Increasing health care costs and declining federal support add to the rising costs of family planning services. Governor Corzine is committing \$2 million to promote women’s health through family planning services in the Department of Health and Senior Services’ Division of Family Health Services. Family planning programs in New Jersey currently provide reproductive health care services to more than 124,000 women and men throughout the State. This additional funding will support an additional 4,500 patients, expand hours of operation, and reduce waiting periods for patients, both for scheduling appointments and for clinic services. Along with this added funding, Governor Corzine calls on the family planning agencies to focus on private fundraising efforts with the goal of matching their private funding to their State funding.

Family planning services often serve as the only source of primary health care services for low income and working poor families who would otherwise not seek traditional preventive health

care. In addition, these services help prevent unintended pregnancies, lower the rate of abortion and sexually-transmitted diseases, substantially decrease the risks of infant mortality, and provide prenatal care, HIV testing and counseling, as well as essential screenings for breast and cervical cancer, hypertension, and diabetes. Every public dollar spent on family planning services saves an estimated \$3 in Medicaid costs – a solid return on investment.

Addressing Violence Against Women

Nationwide, one in four women report they have been physically or sexually assaulted by an intimate partner in their lifetime. Domestic violence affects families of all different backgrounds, and survivors of domestic violence need support and security. Governor Corzine is committing \$1 million to address violence against women through grants from the Department of Law and Public Safety's (LPS) Division of Criminal Justice. LPS currently distributes grants to support domestic violence survivors through non-profit agencies and other programs. These programs provide legal and medical assistance, counseling, and other important supports to address domestic violence and related issues. The proposed additional \$1 million will expand the number of grants awarded to approximately 75 – a 50% increase that will ensure that many more women and their families will receive the support they need.

Creation of Department of Children and Families

This Budget reflects Governor Corzine's commitment to helping those who cannot help themselves, and children are central to that commitment. New Jersey's child welfare system has been in a state of crisis. Nearly three years ago, the State settled a federal class action lawsuit alleging the system's failures placed children at risk of harm. Almost two years ago, the State submitted a comprehensive plan to reform all aspects of the child welfare system, which has been monitored by a panel of national child welfare experts appointed by the federal court.

The panel has determined in its monitoring reports to date that implementation of the reform plan has been unacceptable in certain respects. If there is any area that should be marked by urgency, this is it. The stakes for the most vulnerable New Jerseyans could not be higher. A meaningful part of the problem has been that the child welfare system is embedded in one of the largest agencies in State government, the Department of Human Services (DHS). In addition to child welfare, DHS is responsible for the enormous Temporary Assistance for Needy Families (TANF) and Medicaid programs; services for persons with developmental disabilities, including the publicly-operated developmental centers; mental health programs, including public psychiatric hospitals; addiction treatment and prevention, and a host of other critical programs for disabled and vulnerable New Jerseyans.

Aggressive reform of the child welfare system requires a focus that is not possible under the current structure. New Jersey needs a Cabinet agency devoted exclusively to the State's most vulnerable children and families. In addition, Human Services clients, such as those with disabilities and mental illness, will greatly benefit from a streamlined DHS with a smaller, more focused purview. Governor Corzine looks forward to working cooperatively with the Legislature to make the necessary statutory changes to create the New Jersey Department of Children and Families (DCF) to provide this focus for both populations.

Because results must be achieved quickly, DCF will begin on July 1st, and will initially be composed only of the divisions in DHS focused on child protection, welfare, education and permanency, child behavioral health and abuse prevention. A new interim body, the Governor's Task Force on Human Service Restructuring, will be empanelled to evaluate existing resources within State government and to make recommendations for efficiency and alignment of resources to improve services in the areas of child welfare in DCF and for vulnerable residents being served by DHS. Structural change will not be a panacea; there is no such thing but it is an essential element of success in an area where failure is not an option.

SUMMARIES OF APPROPRIATIONS

Economic Growth

In an increasingly competitive economy, New Jersey must take bold action to create new jobs statewide in order to enhance tax revenue without tax increases and simultaneously reduce reliance on State-funded, safety-net programs.

In order to better manage our economic assets in austere fiscal conditions, Governor Corzine created the Office of Economic Growth in the Governor's Office, the first time in our State's history that a governor has made economic growth a central priority.

The Office of Economic Growth will coordinate the actions of State government, while working with municipal and county business, labor, community, and government leaders to grow the economy and create jobs. The Governor will also create an Economic Growth Council to regularly advise his Administration on the Office's progress.

The Governor has instructed the Economic Growth Office to work with his entire cabinet to develop and implement a business plan that will accomplish the following goals:

- Ensure that business climate and corporate tax policy are conducive to economic growth in both local communities and international trade;
- Build an innovative economy centered around a world-class workforce;

- Invest in critical infrastructure: transportation, energy, and technology; and
- Encourage entrepreneurship and small, minority and women-owned businesses.

Homeland Security

Governor Corzine recognizes that protecting New Jersey's citizens and critical assets is the top priority for the State of New Jersey and its Governor. We have entered into a new threat era with acts of terrorism, natural disasters, catastrophic events, and pandemics that require a new operational, all-hazard paradigm and approach to homeland security and emergency preparedness. For this reason, the Governor has created through executive order the Office of Homeland Security and Preparedness, which will be led by a cabinet-level Director who will advise the Governor and coordinate emergency response efforts across all levels of government, law enforcement, emergency management, non-profit organizations, agencies, authorities, other jurisdictions, and the private sector to greatly enhance the safety, security, and preparedness of New Jersey. The Director will have complete responsibility for overseeing, planning, and distributing State and federal funding for homeland security and emergency preparedness solely on the basis of risk, threat, and vulnerability, will eliminate duplication, ensure the most effective use of limited resources, and guarantee that funds are used for appropriate and necessary purposes.

CAPITAL IMPROVEMENTS

Capital Improvements

Parks, Forests, Wildlife Management Areas, and Historic Sites

Homeland Security Critical Infrastructure

Child Advocacy Centers

Homeless Shelters

Community Residences for People with Developmental Disabilities

Homeless Veterans Shelters

Substance Abuse Treatment and Recovery Centers

Women's Shelters

Food Distribution Centers

Rape Care Centers

Capital Overview

In preparation for presenting this budget proposal, the Administration identified a number of program changes and other steps that would generate \$80 million in one-time revenues. Since Governor Corzine is committed to the principle that ongoing operating expenses should be funded with recurring, not one-time, revenues, he has proposed that the \$80 million be used to fund a variety of one-time capital improvements that are overdue

and will help improve the quality of life for the people of New Jersey.

Parks, Forests, Wildlife Management Areas and Historic Sites

New Jersey's parks and other natural areas contribute to the beauty of our State and are a worthwhile environmental and economic investment. With the recent addition of three new urban State parks in Trenton, Paterson, and River

SUMMARIES OF APPROPRIATIONS

Edge, New Jersey's State park system has grown to 42 State parks, 11 forests, 3 recreation areas, 43 natural areas, and more than 50 historic sites and districts. Governor Corzine will put a down payment on the estimated \$250 million in deferred capital and maintenance needs for these programs by devoting \$40 million in one-time capital funds for maintenance and preservation.

Over the past five years, the Department of Environmental Protection (DEP) has maintained an average of 15 million visitors per year to the State park system's sites and facilities, exceeding the 50-state average of 11 million visitors per year. Since 1990, annual visitation to the state's parks, forests, and historic sites has increased by 4.5 million.

The impact of our State parks and forests on the State and local economies is substantial. According to a 2004 DEP study, the estimated value of the benefits of maintaining our State parks and forests is at least \$1.2 billion annually, or \$30 billion over a 25-year period. This includes indirect economic activity generated by recreation and tourism expenditures, as well as ecosystem services that include watershed and groundwater protection, flood control, water purification, wildlife conservation, biodiversity preservation, and storage of carbon. In addition, maintaining and preserving our parks and forests translates to the direct creation of almost 14,000 jobs, positively impacts property values, and provides enhanced public services, including education.

The proposed appropriation of \$40 million will provide an important start for much-needed capital improvements in our State parks, forests, wildlife management areas, and historic sites. Specific projects include restorations to State-owned historic sites like Batsto and Atsion Mansions, Rockingham, Waterloo Village, historic train sheds at Liberty State Park, and the DEP's most recent acquisition, the office and homestead of "Doctor" James Still in the Pinelands. DEP will also undertake critical health and safety improvements including demolition of unsafe structures, asbestos removal, lead abatement, air quality improvements, fire safety measures, dredging of our marinas, and barrier-free access improvements.

Funding will also be used to create new campsites at places like Wawayanda State Park and to upgrade existing campgrounds throughout the park system. Also, many of our popular trails will be improved for public enjoyment.

Maintaining our State parks, forests, wildlife management areas, and historic sites in good repair ensures that the value they provide, not only for recreational and conservation purposes, but also economic purposes, is carried forward for future generations.

Homeland Security Critical Infrastructure

Not a moment passes without a reminder of the way the September 11, 2001 terrorist attacks transformed American life. Our State's location and highly developed infrastructure – ports, chemical plants, bridges, tunnels, highways, and transit systems – make New Jersey a leading target for potential attacks. The most critical job of government must be to keep the people safe and secure, and the Corzine Administration is committed to doing just that. That means coordination across all levels of government: cooperation among State agencies, the private sector, and public health facilities; solid intelligence-gathering and analysis; timely dissemination; and clear lines of command, control, authority, and responsibility. This Budget invests \$20 million in the Office of Homeland Security and Preparedness for one-time homeland security needs, such as resources for interoperable communications, tools for intelligence sharing, and enhanced infrastructure protection.

Child Advocacy Centers

Child Advocacy Centers provide essential services for children and families when a child is suspected to have been sexually or physically abused. The expansion and improvement of these services will allow New Jersey to conform with national best practices for addressing and prosecuting child abuse. These centers co-locate law enforcement, mental health, and State child protective services, so that children that allege sexual abuse can tell their story and then benefit from state-of-the-art forensic interviewing, videotaping, and analysis.

Partnering with New Jersey's Regional Diagnostic Treatment Centers – unique services with physicians and clinicians specializing in the detection and treatment of child abuse – Child Advocacy Centers will afford families and children the support and services needed in these crises. Preliminary research finds that Child Advocacy Centers reduce the number of child abuse interviews per victim, improve collaboration among agencies, result in fewer foster care placements for children, and increase prosecution and conviction rates.

Child Advocacy Centers have developed as a result of a modest initial investment. These funds have enabled programs to get started, but few resources have been invested in capital. Governor Corzine is devoting \$5 million for a grant program in the new Department of Children and Families for one-time capital improvements to ensure that children feel safe and get the most appropriate treatment during these traumatic times.

Homeless Shelters

Governor Corzine is committed to leveraging limited resources to assist one of our most vulnerable populations: the homeless. By investing an additional \$5 million in capital improvements for New Jersey's Shelter Support Program, the Corzine Administration will help ensure that homeless individuals and families have a safe and accessible transitional "home" in times of need.

The Shelter Support Program is part of a coordinated, inter-departmental State effort that assists local governments and private, not-for-profit organizations in providing for the homeless community. This program provides funds to renovate, improve, and expand existing homeless shelters and transitional housing.

Last year, the State spent \$2.3 million, with an additional \$1.5 million in federal funding, for capital expenditures in the Shelter Support Program. Governor Corzine's Budget proposal would more than double the State investment in homeless shelter improvements by investing \$5 million to add new beds, repair leaking roofs, provide heating systems, repair fire safety and building code violations, improve handicapped

accessibility, replace doors and windows to make homes secure, and upgrade outdated electrical systems. This will enable shelters to increase their capacity and enhance health and safety conditions for the populations they serve.

Community Residences for People with Developmental Disabilities

Consistent with the United States Supreme Court's *Olmstead* decision, Governor Corzine is committed to increasing the availability of residential and rehabilitation opportunities in the community for individuals with developmental disabilities. This initiative will enable people with disabilities to move from more restrictive institutional settings, such as hospitals, developmental centers, and nursing homes, to residential programs with appropriate services and supports located in the community.

The *Olmstead* decision requires each state to ensure that individuals with developmental disabilities are served in the most integrated settings possible. Governor Corzine proposes to invest \$3 million in State capital funds through the Department of Human Services to create increased capacity within our communities. These resources are in addition to a dedicated investment by the Department of Human Services (DHS) to support the placement of a significant number of individuals from developmental centers into the community beginning in fiscal 2007 as part of New Jersey's *Olmstead* initiative goals.

This infusion of capital will fund special needs homes and apartments. To meet the critical concerns of this population, a portion of the funding will be used to ensure that the special needs homes will be accessible for individuals with ambulation difficulties. Also, some of the homes will specialize in supporting individuals with behavioral challenges, medical needs, or both.

Homeless Veterans Shelters

Homelessness is the most severe form of poverty and a social condition that affects far too many New Jerseyans, including veterans who have

SUMMARIES OF APPROPRIATIONS

served our nation. According to the Department of Military and Veterans Affairs (DMAVA), approximately 8,000 of New Jersey's veterans are homeless.

These men and women served our nation proudly, and it is unconscionable for the State to leave them out in the cold. Governor Corzine proposes investing \$2 million in one-time capital improvements to ensure that veterans have access to transitional housing. This capital allocation will be used by DMAVA to renovate existing facilities to create 30 new beds for our homeless veterans. This investment is a small but important step in the process of fostering self-sufficiency and improving the quality of life for New Jersey's veterans.

Substance Abuse Treatment and Recovery Centers

Substance abuse has harmful effects on personal lives, families, and our communities. Too often, children are put in harm's way as a result of the drug or alcohol use of their parents, and families are torn apart. Prevention and treatment of substance abuse is essential to minimizing these harmful effects. DHS regulates addiction treatment programs ranging from residential treatment to outpatient centers for more than 50,000 individuals each year, including 9,000 young adults, teenagers, and even children. Many of the treatment agencies are in serious need of expansion and renovation, and many cannot safely and adequately accommodate annual admissions; for every one person treated, two are waiting. The Fiscal 2007 Budget will invest \$2 million in capital improvements for New Jersey's addiction treatment centers to help pay for additional rooms, beds, and significant repairs. This capital investment will be administered as a grant program for licensed, publicly-funded agencies, directed through the Division of Addiction Services within DHS.

Women's Shelters

Women's domestic violence shelters throughout New Jersey provide temporary housing to women and their children fleeing abusive situations, with an average length of stay of about a month. Each year, the Department of Community Affairs (DCA) receives an overwhelming number of

applications from the 22 women's shelters located throughout the state for grants for capital improvements. Under the current funding level, most grant applications cannot be filled completely, and many are denied outright, leaving these shelters in a state of disrepair.

This Budget adds \$1.5 million in one-time capital investments through DCA's Division on Women to allow women's shelters to not only improve their existing facilities but also to add more beds and serve an increased number of survivors of domestic violence. In 2004 (the most recent data available), these shelters served nearly 1,700 women and approximately 2,000 children. Due to lack of capacity, however, over 1,900 women and children were turned away. This increased funding will allow for the shelters most in need to expand capacity and improve the upkeep of their buildings so that every woman seeking a safe haven can be served.

Food Distribution Centers

As part of New Jersey's effort to alleviate hunger, Governor Corzine is committing \$1 million for capital improvements of emergency food distribution centers to preserve food purchased for hungry New Jerseyans. Too many emergency food centers do not have the capacity to store or preserve perishable food items. To help rectify this situation, this Budget will invest \$1 million in capital improvements to our State's emergency food distribution centers through the Department of Agriculture Division of Food and Nutrition. This capital - in conjunction with the \$3 million Governor Corzine has committed to the purchase of millions of pounds of food for the less fortunate - will take us another step closer toward alleviating hunger in the State. The additional investment will help ensure that approximately 500,000 New Jerseyans, who are currently turned away when seeking assistance, get the food they need.

Rape Care Centers

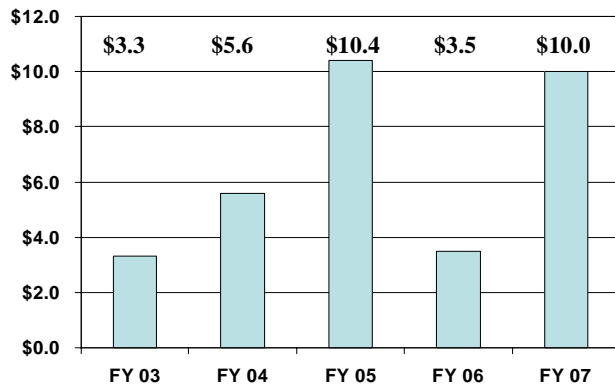
Rape care centers in all 21 counties throughout the State provide essential services to survivors of sexual violence and their families, ensuring compassionate treatment of survivors of sexual assault who seek assistance. New Jersey's rape

care centers are some of the most comprehensive in the country, providing free and confidential services such as crisis intervention, individual and group counseling, information and referrals for needed services, and accompaniment to hospitals, police stations, and court proceedings. Last year, over 4,200 women visited a rape care center, and rape crisis hotlines received over 24,000 hotline calls. Governor Corzine will devote \$500,000 in one-time capital funding for rape care centers to allow for much needed technological upgrades and other capital improvements that will improve the care that women receive during these difficult times.

Other Discretionary Capital Improvements

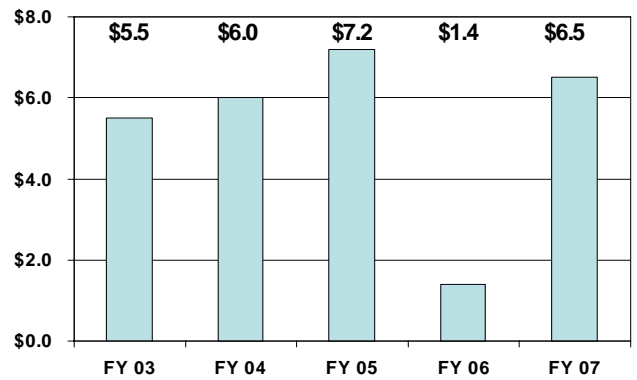
In addition to the aforementioned \$80 million for capital projects, the Budget includes \$40.8 million in discretionary capital funding for the State’s most critical projects. Most prominently, \$10 million is recommended for the Statewide Automated Child Welfare Information System (SACWIS), a key component of the State's Child Welfare Reform Plan. SACWIS, which is designed to improve administration of the Title IV-B Child Welfare and Title IV-E Foster Care programs, will generate \$10 million in federal matching funds. Including the \$10 million recommended for fiscal 2007, the State will have appropriated a total of \$32.8 million for this purpose since fiscal 2003, as summarized on the accompanying chart.

Statewide Automated Child Welfare Information System (SACWIS)
(In Millions)



To complete the State's Office of Information Technology’s Availability and Recovery Site (OARS), a total of \$6.5 million is recommended. When completed, OARS will provide a fully tested, state-of-the art disaster recovery function in the event of a disaster to protect the data associated with some of the State’s most critical programs, including accounting and revenue systems, human resource data, and motor vehicle records. Since fiscal 2003, the State has provided a total of \$26.6 million for this project.

Office of Information Technology Availability and Recovery Site (OARS)
(In Millions)



Additional critical fire and life safety projects, totaling approximately \$18 million, will be funded at the Katzenbach and Piscataway Regional Day School, the Juvenile Justice Commission, and the Department of Human Services. Projects include new fire suppression systems, suicide prevention improvements, and new heating and cooling systems in State institutions serving our most vulnerable client populations. Finally, a total of \$5.6 million is recommended for DEP flood prevention projects to help leverage \$22.6 million in federal matching funds.

PROPERTY TAX RELIEF

Direct Property Tax Relief

The Fiscal 2007 Budget will continue essential property tax relief programs by providing \$1.9 billion in rebates and State-funded tax deductions to New Jersey property taxpayers. Governor Corzine has fulfilled his pledge to provide increased property tax relief in the Fiscal 2007 Budget.

Homestead Rebates

Direct property tax relief that is targeted to those who need it most – seniors and low- and moderate-income families – is an important part of the State’s efforts to alleviate the property tax burden, and Governor Corzine believes we must ensure that this relief increases each year. The Governor had hoped to be able to propose a dramatic increase in property tax rebate funding by restoring funding to its 2004 level and then growing it by 10%. But given the enormous size of the structural deficit and the need for significant cuts in the budget to address it, Governor Corzine is proposing that the 10% increase be applied against the rebate level in 2005.

With an infusion of \$530 million, homestead rebates will increase over 2005 levels for all recipients. Homeowners with incomes up to \$200,000 and tenants with incomes up to \$100,000 will continue to be eligible for the program. Funded at a total of \$1.2 billion, this program will provide the highest rebates to low-and middle-income senior citizens. Specifically, senior homeowners with incomes less than \$70,000 will receive a maximum rebate of \$1,320, and senior homeowners with incomes above \$70,000 will receive a maximum rebate of \$880. Rebates for non-senior homeowners will be from \$330 to \$385. Senior tenants and non-senior tenants will receive maximum rebates of \$908 and \$83, respectively.

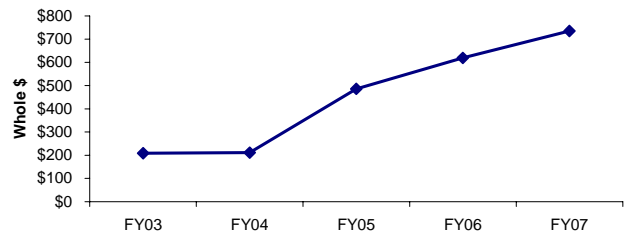
As part of Governor Corzine's emphasis on achieving management efficiencies, the Administration recognizes that the taxpayer-funded costs for a check-based homestead rebate program are significant. With printing and postal costs for

rebate checks in excess of \$2 million, the Corzine Administration will seek to convert this program over time to a credit against local property tax bills. This conversion can be achieved as the State proceeds with the Property Assessment Management System (PAMS), which is currently being developed for statewide implementation in future fiscal years.

Senior Tax Freeze

The State’s low- and middle-income seniors will continue to see 100% of their property tax increases paid through the Senior and Disabled Citizens’ Property Tax Freeze (Senior Tax Freeze) program. Funding for this program is increased 21% (\$20.5 million) over the 2005 level. The Senior Tax Freeze program freezes property taxes for low- and middle-income seniors, reimbursing them for any property tax increases assessed after a participant joins the program. Therefore, the annual rebates increase as local property taxes increase.

State Budget Pays for Seniors' Property Tax Increases



Average reimbursement to individual seniors for rising property tax increased from \$209 in fiscal 2003 to an estimated \$735 in fiscal 2007.

In fiscal 2007, this program is expected to provide rebates to approximately 162,000 seniors, at an average check level of \$735. (During fiscal 2006, over 152,000 seniors have received rebates to date, with checks averaging \$619 each.)

This program has a proven track record of maintaining seniors in their homes, with over 50% of seniors still in the program after three years. For fiscal 2007, the program’s income eligibility

thresholds have increased by 2.7%, to \$41,972 if single and to \$51,465 if married.

Property Tax Deductions

Veterans and qualified senior and disabled residents will continue to receive a \$250 property tax deduction on their local tax bills in 2006. The State will reimburse municipalities a total of \$99 million for the estimated 388,000 veterans, seniors, and disabled residents expected to apply for this deduction in fiscal 2007.

The property tax deduction against State income tax liability will save middle-income taxpayers an estimated \$438 million in fiscal 2007.

The New Jersey Earned Income Tax Credit (EITC) program provides families with 20% of their federal EITC benefit. In fiscal 2007, this benefit is estimated at \$118 million, of which \$18.4 million will be paid from the federal welfare block grant.

Municipal Aid

In spite of tremendous budget constraints, the proposed Fiscal 2007 Budget maintains level funding of \$1.7 billion for formula aid to New Jersey's 566 municipalities through the Consolidated Municipal Property Tax Relief Aid (\$835.4 million), Energy Tax Receipts Property Tax Relief Fund (\$788.5 million), Municipal Homeland Security Assistance Aid (\$32 million), and Legislative Initiative Municipal Block Grant (\$34.8 million) programs.

Other municipal aid programs are funded at a level of \$151 million. More than half of this amount, or \$78.4 million, will assist the State's fiscally distressed cities. Partially offsetting this increase is a \$13 million reduction to the discretionary

Extraordinary Aid program and the elimination of the Regional Efficiency Aid Program (REAP), funded at \$11 million in fiscal 2006. Since fiscal 2003, REAP has benefited only 14 towns which achieved the highest per capita savings on property tax bills from efficiencies and consolidations that reduced property taxes. The State payment provided an incentive and reward for their efforts to consolidate, but after four years of such payments it is time to allow the residents of these towns to benefit from consolidation alone. Other municipal aid programs that maintain level funding in fiscal 2007 are the Highlands Protection Fund initiatives (\$12 million) and the Trenton Capital City Aid program (\$16.5 million).

An increase of \$500,000 is provided for Payments in Lieu of Taxes (PILOT) to municipalities for State and nonprofit preserved open space. Open space PILOT payments to municipalities grow from \$9 million in fiscal 2006 to \$9.5 million in the Fiscal 2007 Budget recommendation.

Continuation funding is also provided for Regional Efficiency Development Incentive (REDI) grants at \$4.2 million. Funding for REDI will be utilized to support the Sharing Available Resources Efficiently (SHARE) program. SHARE grants are available to municipalities, counties, and fire and other special districts, as well as nonprofit organizations that provide regional coordination of shared services. The SHARE program offers three assistance options: Implementation Assistance, Feasibility Studies, and Regional Coordination Grants.

SCHOOL AID

Education

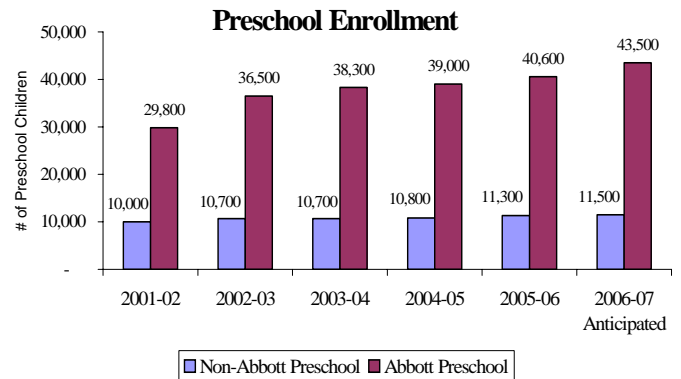
Including School Aid to localities, over one-third of the Fiscal 2007 Budget, or \$10.5 billion of the \$30.9 billion total State appropriation, is provided for Education. Some of the more prominent programs are described below.

The Preschool Advantage

The importance of a quality education during a child’s early years cannot be understated. In light of this, the State has maintained a firm commitment to enhance preschool services for our children. Through the joint efforts of the Departments of Education and Human Services, the State comprehensively integrates educational, social, and family programs to promote academic and social development. The quality of this effort has attracted national attention, as the National Institute for Early Education Research continues to rank New Jersey’s Abbott program as one of the best in the nation.

As the accompanying graph illustrates, the Department of Education expects preschool enrollment in the Abbott districts to grow to 43,500 for the 2006-2007 school year, an increase of approximately 46% since the program began in the 2001-2002 school year. If these enrollment levels are achieved, approximately 80% of all general education three- and four-year-olds in the Abbott districts will be enrolled in a high quality preschool program.

Since fiscal 2003, a new form of state aid has been provided to fund the dramatic increase in preschool enrollment in the Abbott districts. The Fiscal 2007 Budget recommendation includes \$243.2 million for Abbott Preschool Expansion Aid. In addition, \$92.2 million in the Department of Human Services is available for programs offered before- and after-school for Abbott preschoolers.

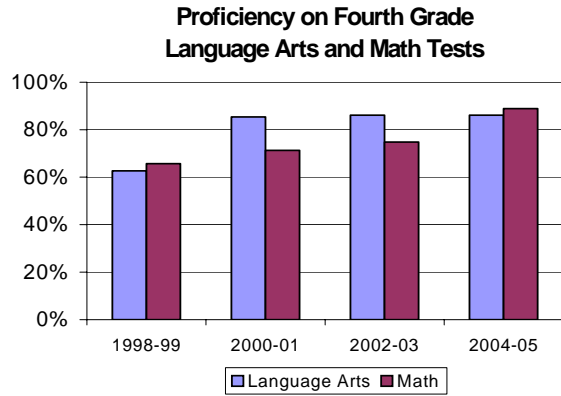


Preschool enrollment is anticipated to grow to 55,000 in FY07, a 38% increase over enrollment in FY02.

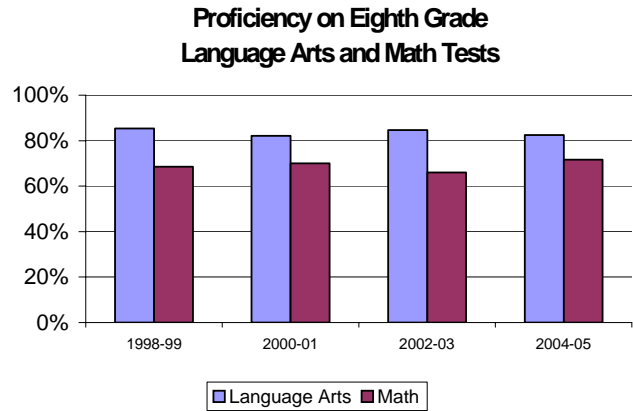
A second form of state preschool aid (Early Childhood Program Aid) supports an additional 45,534 preschoolers and kindergartners in 132 high poverty districts around the State. The Fiscal 2007 Budget recommends \$330.6 million for this program. In fiscal 2005, a new category of early childhood state aid, the Early Launch to Learning Initiative (ELLI), was introduced. The \$3 million recommended for this program in the Fiscal 2007 Budget will allow the program to run at the same level as fiscal 2006, increasing access to high quality preschool for four-year-olds by creating new or expanded preschool programs in the low-income districts that have participated in the program since its inception in fiscal 2005.

Statewide Assessment

New Jersey continues to recognize the far-reaching effect of investments to educate young students. In 1996, the New Jersey Board of Education adopted the Core Curriculum Content Standards (CCCS), which outlined the skills that New Jersey pupils should master by the end of the fourth and eighth grades. The CCCS also defined the graduation requirements for New Jersey’s high school students by creating expectations for performance. In addition, the CCCS laid the foundation for three statewide assessment tests administered in grades 4, 8, and 11.



The proficiency rate of fourth graders in language arts has consistently remained approximately 86%, while proficiency in math has increased to 89%.



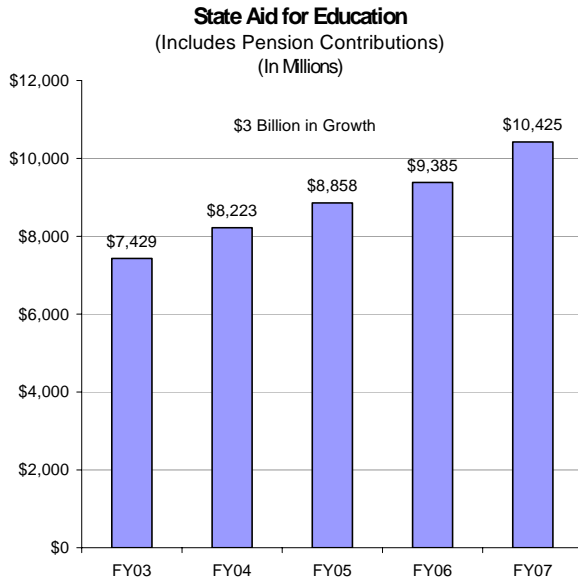
The proficiency rate of eighth graders in language arts has consistently remained approximately 82%, while proficiency in math has increased to 71%.

With the enactment of the federal No Child Left Behind Act in 2001, further alterations have been made to New Jersey’s statewide assessment test for elementary school children in accordance with the mandate to administer annual tests in grades 3 through 8. To comply with the expectation that each state will provide assessments that test students’ knowledge in the state’s content standards and test cognitive skills in language arts, math, and science, New Jersey has begun to develop a comprehensive testing program. As is evident by the accompanying graphs, New Jersey students continue to achieve high levels of proficiency in both language arts and math, while progressively approaching the federal goal of 100% proficiency. Fourth grade students are steadily achieving advanced levels of proficiency in language arts, with approximately 36.1% reaching the level of advanced proficiency, while 22.4% of eighth grade students tested at advanced levels for math.

School Aid

State aid for school districts is the single largest purpose to which State funds are devoted, with a total recommended amount of over \$10.4 billion for fiscal 2007, as seen in the accompanying graph. It is anticipated that in fiscal 2007, the State will support 44.1% of total per pupil costs, the highest recorded percentage. This includes the significant contributions the State makes on behalf of local school districts for employee benefits. In recognition of the continued high priority given to education, the Fiscal 2007 Budget includes \$7.6 billion in direct aid to local districts.

SUMMARIES OF APPROPRIATIONS



State Aid for Education has increased 40% since FY03, with the majority of the FY07 increase due to teacher and other school employees' benefits.

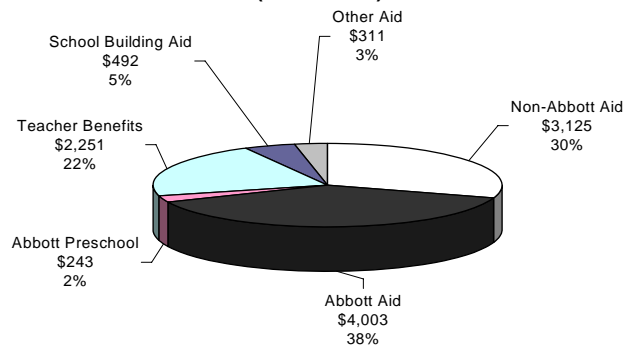
Fiscal 2007 school aid also includes \$375.2 million for the School Construction and Renovation program and \$116.8 million in School Building Aid. This represents an increase of \$113 million over the fiscal 2006 adjusted appropriation for these categories of aid. This funding will provide for State school construction debt service on new and existing bond issues, as well as aid for qualifying local debt issued for school construction.

The Budget provides \$2.3 billion in payments on behalf of local school districts for teachers' retirement benefits and the employer's share of social security payments. This represents an increase of \$823.2 million over the fiscal 2006 adjusted appropriation and protects property taxpayers from shouldering these costs. The proposed funding level also recognizes the importance of a stable pension system in the recruitment and retention of high quality teachers and school leaders throughout the state. The majority of the increased cost in this category is the contribution to the Teachers' Pension and Annuity Fund, which will increase \$743 million over fiscal 2006. Although fiscal constraints limit

the Administration's ability to fully fund pension costs, this Budget accelerates the phase-in toward full funding.

The Fiscal 2007 Budget recommendation for most categories of direct aid is at the same level as in fiscal 2006. Categories of aid have been evaluated for effectiveness. Existing resources have been reallocated to recognize shifts in enrollment, both increases and decreases. Growth has been contained in aid to Charter Schools, School Choice, and Abbott Bordered Districts. Although the appropriation for High Expectations for Learning Proficiency has been reduced, the eligibility criteria have been revised to direct the resources to low-income districts for improvement of achievement levels. Teacher Quality Mentoring will be level funded at \$2.5 million. Education Opportunity Aid funding for Abbott districts will grow to \$1.5 billion, an increase of \$96 million over the fiscal 2006 appropriation. These resources will ensure parity and support educational priorities in those districts. As shown in the attached chart entitled "Components of State Aid for Education," total state aid to the Abbott districts will reach \$4 billion when all categories of formula aid are summed.

Components of State Aid for Education
(In Millions)



Abbott aid represents about 38% of state aid to schools.

The Governor recognizes that it is time to address the inequities that exist in the school funding system and intends to work with the Legislature and stakeholders to develop a new school funding formula in the upcoming year. The Comprehensive Educational Improvement Financing Act (CEIFA) formula has not been used

to determine state aid for the past five years. During this time, almost all of the increases in state aid have gone to the Abbott districts. As a result, Abbott districts now represent 12 of the state's 15 highest spending K-12 districts. In addition, some of the lowest spending districts are rural districts or those non-Abbott districts with high numbers of low-income students.

Promoting Literacy

The Governor's Literacy Initiative has been redesigned to target low-performing non-Abbott school districts. Under Governor Corzine, a more effective model will be applied to the Literacy Initiative, and this approach will reach a greater number of students. The initiative will provide grants and technical support to implement the core features of the Department's successful Intensive Early Literacy model. State funding will be provided for the purchase of instructional materials to support the literacy learning of students in kindergarten through grade four, including students with disabilities and students with limited English proficiency. A second grant program under the Governor's Literacy Initiative will blend State and federal funding to provide the services of a Special Education Literacy Resource Coach within the low-performing, non-Abbott districts.

Under Governor Corzine, additional emphasis will be placed on adolescent literacy. Funding from the Governor's Literacy Initiative will be used to support a pilot program to improve the literacy achievement of students in middle schools. The Department of Education will also use a grant from the National Governor's Association to support the development of policies to promote adolescent literacy.

School Construction

The New Jersey Schools Construction Corporation (SCC), a subsidiary of the New Jersey Economic Development Authority, is dedicated exclusively to school construction. To date, the SCC has managed 587 school facilities projects, including 354 Abbott health and safety projects. Of the projects, 50 represented major facilities, including renovations and additions. In addition, 2,461 grants to non-Abbott school districts have been executed, totaling \$2.1 billion. In February 2006, Governor Corzine issued Executive Order #3 that established the Interagency Working Group on School Construction to review the SCC and develop recommendations for reform. On March 15, 2006, the Group released its initial report of findings to the Governor. Workgroup suggestions include a framework for reorganization and recommendations for collaboration between the Department and local districts to prioritize facilities, as well as collaboration with the community to incorporate new or expanded facilities into the development of an urban plan. The workgroup also recommended no additional State funding be authorized until new management procedures have been implemented, new systems to improve cost control are in place, and a process is adopted for prioritizing remaining projects.

OTHER INITIATIVES

Higher Education

Even in the State's current fiscal situation, continued investment in higher education is critical to New Jersey's long-term economic and social health. Accordingly, this Budget provides over \$1.9 billion in overall support of the State's higher education system in fiscal 2007. Although this is a reduction of \$169.1 million, or 7.9%, from fiscal 2006, and will certainly challenge New Jersey's colleges and universities to find ways to improve the efficiency of their operations, this Budget maintains New Jersey's commitment to a diversified, accessible system of higher education. In particular, programs providing need-based financial assistance to students receive \$6.3 million in increased funding in this Budget, to assure that our neediest students will not be denied the opportunity to go to college.

Higher education benefits both the individual and society in a variety of ways. Educated individuals are less likely to be unemployed or live in poverty. Research has shown that, in addition to contributing more to tax revenues than others do, adults with higher levels of education are less likely to depend on social safety-net programs, generating decreased demand on public budgets. Higher levels of education also correlate with higher levels of civic participation, including volunteer work, voting, and blood donation.

This Budget provides the State's twelve senior public colleges and universities with over \$1.3 billion in overall support in fiscal 2007. This includes \$807.6 million in direct support, a reduction of \$143.5 million, or 15.1%, and \$545.7 million in indirect support through continued funding for fringe benefits for college and university personnel.

The senior public institutions have several options available to offset the fiscal 2007 reduction in State support:

- Low-priority or duplicative programs could be scaled back or eliminated.

- Operational efficiencies could be implemented.
- Non-State revenues could be increased. For example, initiating a gradual four-year phase-in of charging out-of-state undergraduates the full cost of their education would yield additional fiscal 2007 revenue of approximately \$5.7 million. Approximately 7% of all undergraduates at the senior public institutions are out-of-state students, who are subsidized by New Jersey taxpayers in the estimated amount of \$22.7 million annually.

This Budget also provides \$208.1 million in support of the State's county colleges, a decline of \$15.5 million, or 6.9%. Direct support declines by \$16.3 million, or 10%; this decline is partially offset by a net increase of \$745,000 in indirect support for these institutions.

The State's 14 independent colleges and universities will receive \$12 million in direct support during fiscal 2007, a reduction of 50% from fiscal 2006. These institutions serve an important role in providing higher education for more than 24,000 New Jersey residents, and must be supported even in this extremely difficult fiscal circumstance.

This Budget eliminates funding for the Higher Education Incentive Endowment Fund, a savings of \$3 million. This program's purpose – to create a matching incentive for private individuals and organizations to make large endowment contributions to New Jersey's higher education institutions – is a good one; however, the program has never been adequately funded. The State cannot afford to provide the funds, which would require a five-fold increase in appropriations, to fully match eligible endowment contributions already received by the colleges and universities.

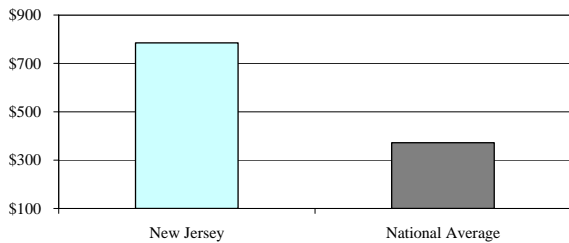
Student Financial Assistance

Even in this time of fiscal austerity, this Budget provides approximately \$290.1 million for the various student financial assistance programs, including the Tuition Aid Grant programs and the Educational Opportunity Fund programs. This Budget increases funding for need-based student assistance programs by \$6.3 million, and reduces funding for other, non-need-based student aid programs by \$5.7 million. Overall, this Budget increases funding for student assistance by \$648,000 from fiscal 2006.

Tuition Aid Grants

New Jersey’s student financial assistance programs are among the strongest in the nation. New Jersey’s flagship Tuition Aid Grant (TAG) program continues to provide more than twice the national average grant support per student (see chart entitled “Tuition Aid Grant (TAG) Per Student”).

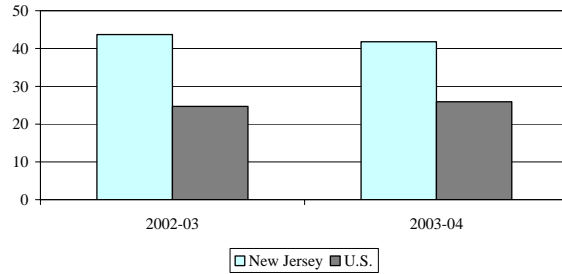
TUITION AID GRANT (TAG) PER STUDENT
TAG Funding Per Full-Time Equivalent Undergraduate Enrollment
Compared to National Average,
2003 - 2004 Academic Year



New Jersey provides more than twice the national average grant support to college students.

According to Postsecondary Education’s *OPPORTUNITY* January 2006 research letter, New Jersey currently ranks second in the nation at 41.8% in college participation rates for students from low-income families (see chart entitled “College Participation”); the national average is 25.9%.

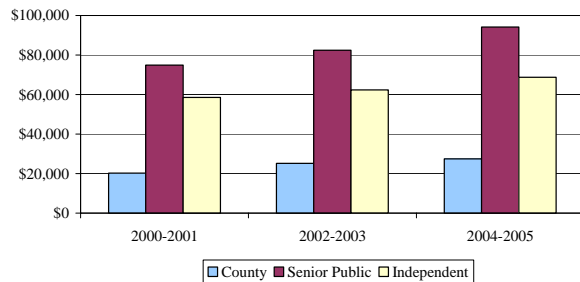
COLLEGE PARTICIPATION
Percentage of Students from Low-Income Families,
2002-03 and 2003-04



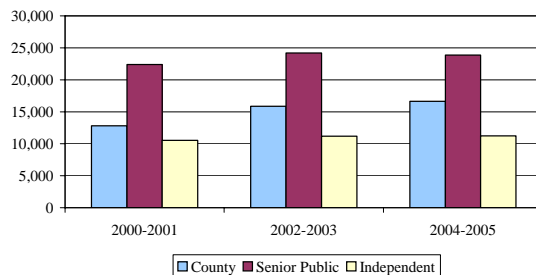
New Jersey ranks 2nd in the nation in college-attendance rates for students from low-income families.

New Jersey’s need-based TAG program generously supports low income students at the State’s senior public institutions, independent institutions, and county colleges (see charts entitled “Tuition Aid Grant (TAG) Funding” and “Tuition Aid Grant (TAG) Participants”).

TUITION AID GRANT (TAG) FUNDING
By Sector: Academic Years 2001 - 2005
(000s)



TUITION AID GRANT (TAG) PARTICIPANTS
By Sector, Academic Years 2001 - 2005



The TAG program supports low-income students at all New Jersey colleges and universities.

SUMMARIES OF APPROPRIATIONS

This Budget provides \$214.7 million for the TAG program for full-time students, an increase of \$5.8 million. This Budget ensures that the State's neediest 18,800 students across all sectors will receive an additional average award increase of \$265 to mitigate anticipated tuition increases in fiscal 2007.

In addition, this Budget provides \$4.9 million for the Part-Time TAG for County Colleges program that was initiated in fiscal 2004. The \$490,000 increase in this program will support 9,941 recipients during fiscal 2007, 986 more than in fiscal 2006, with a \$497 average award.

New Jersey Educational Opportunity Fund

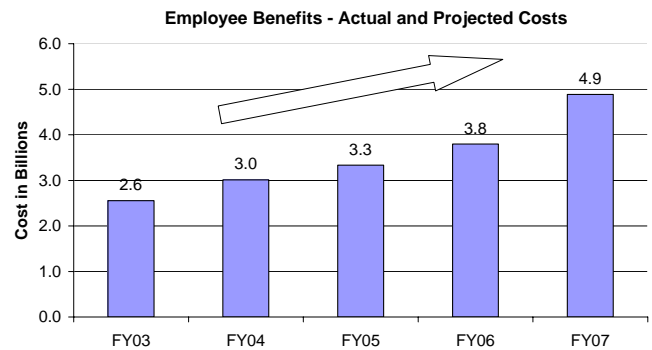
The New Jersey Educational Opportunity Fund (EOF) was created by law in 1968 to ensure meaningful access to higher education for those who come from backgrounds of economic and educational disadvantage. EOF funding has been preserved at \$40.6 million in fiscal 2007; these programs will assist disadvantaged New Jersey residents who are capable and motivated, through a variety of programs such as Opportunity Program Grants, Supplementary Education Program Grants, the C. Clyde Ferguson Law Scholarships, and the Martin Luther King Physician-Dentist Scholarships.

Employee Benefits

Within the State Budget, Employee Benefits is defined to include pensions, health benefits, post retirement medical costs, and employer payroll taxes. State appropriations support not only active and retired State employees, but also employees of senior public colleges and universities, school districts and certain local governments. Health benefits for active school district and local employees are not a State responsibility; however, under statute, the State funds the health insurance costs of retired teachers and certain public employees with 25 or more years of service prior to retirement. Even though the State does not negotiate teacher contracts, the State also funds the cost of teacher federal social security taxes.

Due in part to the breadth of coverage provided, Employee Benefits has become one of the most intense growth areas in the State Budget. As

depicted on the attached chart entitled "Employee Benefits-Actual and Projected Costs," the appropriation for these fixed costs grew by \$2.3 billion or 91% from approximately \$2.6 billion in fiscal 2003 to almost \$4.9 billion in fiscal 2007. Employee Benefits costs are projected to be 15.8% of the State's overall Fiscal 2007 Budget as compared to 10.6% just four years ago.



FY07 total employee benefit costs have increased by \$2.3B since FY03.

The majority of the fiscal 2007 growth is in pension contributions, with the largest increase in payments to the Teachers' Pension and Annuity Fund. Although fiscal constraints limit the Administration's ability to fully fund pension costs, this Budget accelerates toward full funding. The chart entitled "History of Defined Benefit Pension Contribution Costs" demonstrates the magnitude of the increase in fiscal 2007. The Budget also anticipates savings from recommendations of the Benefits Review Task Force for pension reforms. These changes will curtail the ability for certain public employees to manipulate the pension plans. The following changes are recommended:

- Adoption of new criterion for membership eligibility in the Public Employees' Retirement System (PERS) to curtail the abusive practice of pension "boosting." The current minimum \$1,500 per year salary compulsory membership requirement will be replaced with the ERISA standard of a minimum of 1,000 hours worked to earn service credit or by increasing the salary standard to \$5,000;

- Elected officials who have no previous pension service credit in one of the State’s defined benefit plans would only be eligible to participate in a newly designed defined contribution plan. Appointed officials will have the option of enrolling in the defined benefit or a defined contribution plan. A defined contribution plan is a more portable benefit and more appropriate for appointees and elected officials who may only remain in public employment for a short period; and
- Professional service vendors, such as municipal attorneys, tax assessors, and others who are retained by public contracts approved by an appointing agency, would not be eligible for pension system membership.

generic drugs, and improved pharmacy administration. Even with these savings, health benefits costs for active and retired members, at \$2.1 billion, comprise 43% of employee benefit costs. By statute, the State assumes all health benefit costs for eligible retired school district employees; payments for this group are expected to be \$721 million for the next fiscal year or approximately 34% of the total \$2.1 billion appropriated for this purpose. Escalating health benefit costs continue to be a significant commitment of limited resources in the State Budget.

Health

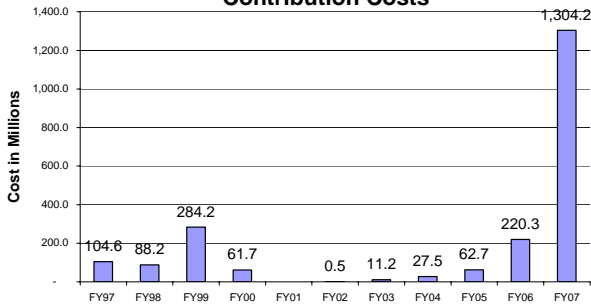
This Budget continues to enhance the State’s health services and infrastructure, particularly through the expansion of health care to uninsured children across the State. This needed budget growth is tempered, however, with responsible savings initiatives to preserve fiscal integrity. Major initiatives are outlined as follows:

Long-Term Care: Cost Containment

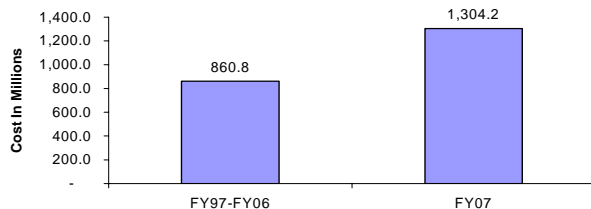
Since fiscal 2004, Medical Day Care costs have increased by 59%, making it the fastest growing, non-institutional, long-term care program. Likewise, due to a decline in federal revenue, Nursing Home costs have grown 249% over the same time period. In fiscal 2007, cost containment of \$49.5 million will be achieved in the following ways:

- Eliminating the inflation adjustment for nursing facilities and medical day care providers will result in a State savings of \$26 million.
- Federal legislation has increased the look-back period from three to five years for determining whether individuals improperly transferred assets to gain Medicaid-eligibility. This will save \$15 million of State funds.
- A reduction of non-Medicare patient days in fiscal 2006 reduced State revenue from the provider assessment from these

History of Defined Benefit Pension Contribution Costs



Defined Benefit Pension Contribution Costs



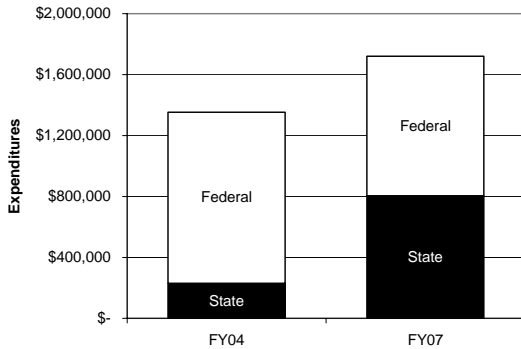
The FY07 defined benefit pension appropriation is \$443 million more than the total combined amount from FY97-06.

Cost containment measures are also being implemented in the area of health benefits for active and retired state employees and retired school district employees. These include bulk purchasing of pharmaceuticals, mandatory mail-order for maintenance drugs, mandatory use of

SUMMARIES OF APPROPRIATIONS

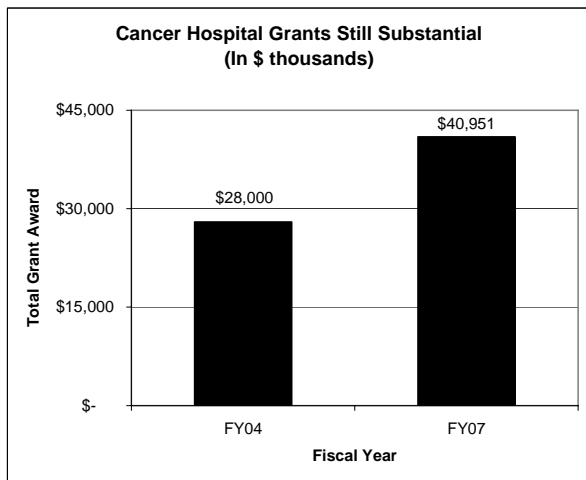
- facilities by \$8.5 million. In addition, certain facilities have not paid their share of the assessment. Payments will be reduced by this amount to cover the lost State revenue.

**State Nursing Home Cost Up 249% In Three Years
(In \$ thousands)**



Reduce Operational and Capital Portions of Cancer Hospital Grants

This reduction generates a savings of \$23.3 million by focusing the grants solely on research and reducing the funding of operations and construction. Because of unprecedented growth in this area, the remaining \$41 million base appropriation still represents a 46% increase in comparison to the original State appropriation provided in fiscal 2004.



Cancer hospital grants for costly non-research activity are reduced; however, remaining research funds are still 46% higher than fiscal 2004 level.

Reduce Hospital Assistance Grants

These grants are a one-time fiscal 2006 legislative addition that supplement other State grants and programs, such as Charity Care, and are not continued in fiscal 2007, thus saving \$69.2 million. State and federal distributions from the hospital provider tax will offset this reduction for hospitals serving high volumes of low-income Medicaid patients.

Prescription Drug Cost Containment

Since fiscal 2003, the costs for the State's prescription drug programs have been increasing 10% annually, and in fiscal 2007 total spending in this area will reach \$1.4 billion. The federal Department of Health and Human Services, Office of the Inspector General conducted a study in 2002 comparing the prices that states pay for prescription drugs for their Medicaid programs. Of the states surveyed, New Jersey paid the highest amount for generic (non-innovator multiple source), single-source brand, and multi-source brand drugs.

To counter this trend, this Budget includes pharmaceutical-related savings totaling \$145 million. As an initial step, the State will institute a bulk purchasing system to maximize our market presence and secure the best possible price. This measure is estimated to save \$75 million annually in Medicaid, the Department of Health and Senior Services (e.g., PAAD and Senior Gold), and the State Health Benefits Program and will be supplemented by several other initiatives to consolidate pharmaceutical purchasing statewide.

Drug Reimbursement Rate Adjustments

A total of \$17.1 million will be saved by switching the reimbursement methodology for prescription drugs. Currently, the State pays providers the Average Wholesale Price less 12.5%. Based on new federal guidelines, by the end of the fiscal 2007 single-source brand name drugs will be reimbursed at the federally-calculated Retail Survey Price, and generic and multi-source drugs will be reimbursed at the Average Manufacturer's Price.

Medicaid Co-pay

A savings of \$13 million will be generated by a \$2 co-pay on prescription drugs in fee-for-service and Managed Care plans. To preserve access and health for all beneficiaries, co-pays are limited to \$10 per month, and pregnant women and children are exempt from the new requirements.

Use of Generic Psychotropic Drugs

Psychotropic drugs are among the most expensive prescription drugs because of their specialized use in treating serious mental illnesses, such as schizophrenia. Despite newer versions of these drugs, recent studies have shown that the current brand-name drugs are no more effective, and in some instances less effective, than the generic alternatives. This will save the State a total of \$8.8 million.

Human Services

The fiscal 2007 Budget maintains the State's commitment to its most vulnerable citizens, particularly through new initiatives transitioning developmentally disabled and mentally ill individuals from State facilities to community-based care. This growth, however, is offset by well-reasoned and fiscally sound savings.

Hospital Provider Tax

This Budget proposes a provider assessment of 5.5% based on non-Medicare hospital revenue that will generate \$430 million. Of the total, \$215 million will become a State budget resource. The remaining \$215 million will generate federal Medicaid match, resulting in a total of \$430 million that will be distributed to hospitals in the form of higher Medicaid payments. This initiative, which will benefit hospitals that have a higher than average Medicaid client base, will require State legislation.

Developmental Centers – Revenue Enhancements

In response to legislative criticism of delays in rate reconciliation on federal match programs, the Department of Human Services elevated retroactive claiming as an administrative priority for fiscal 2006. Due to the diligence of this effort,

rates were finalized for fiscal 2001 through 2004, generating \$194 million of one-time federal revenue. Updated projections for federal Intermediate Care Facility reimbursement, which provides 50% of developmental center funds, increased revenue by an additional \$17.6 million. Collectively, these initiatives will provide a total of \$211.6 million in new resources.

Of this amount, \$94 million from prior year claiming and \$17.6 million from updated projections will be used to offset State appropriations in the seven developmental centers for a total savings of \$111.6 million. Another \$50 million will fund critical fiscal 2006 needs such as Medicaid caseload increases, fuel and utility costs in the developmental centers, and additional State Aid to county psychiatric hospitals. Finally, \$50 million will be used to provide community placements for 180 developmental center residents. This three-year initiative addresses the United States Supreme Court's *Olmstead* decision requiring care in the least-restrictive setting.

Mental Health

Last year, Governor Codey championed an historic reform of the State's mental health system designed to lead more New Jerseyans with mental illness to treatment, recovery and long-term wellness. This Budget supports the initiatives of Governor Codey's Mental Health Task Force in furtherance of mental health reform. In addition, the Budget invests \$10 million to develop essential services and community capacity to facilitate the de-institutionalization of persons living in State psychiatric hospitals consistent with the United States Supreme Court's *Olmstead* decision.

Abbott Pre-School Co-pay

Currently, the Division of Family Development (DFD) provides free after-school and summer child care to families in the 31 Abbott districts, regardless of income. This structure creates serious equity imbalances across the State by directing funds to districts in amounts that are not truly indicative of need. This Budget proposes implementing a sliding-scale co-pay for child care in Abbott districts – as is the practice in all other DFD-run child care programs – which would generate a savings of \$30 million. In fiscal

SUMMARIES OF APPROPRIATIONS

2007, 2,100 families earning \$60,000 to \$75,000 will pay 50% of the annual cost, and 5,100 families earning above \$75,000 will pay the full annual cost of approximately \$3,800 per child.

Environment

The Fiscal 2007 Budget provides a total increase of \$109 million for critical Department of Environmental Protection (DEP) programs and new initiatives.

Corporation Business Tax Dedication

A constitutional dedication of 4% of Corporation Business Tax (CBT) revenues has supported critical DEP programs for the past 10 years. In fiscal 2007 this important funding source will increase by \$53.8 million due to higher collections of CBT revenues.

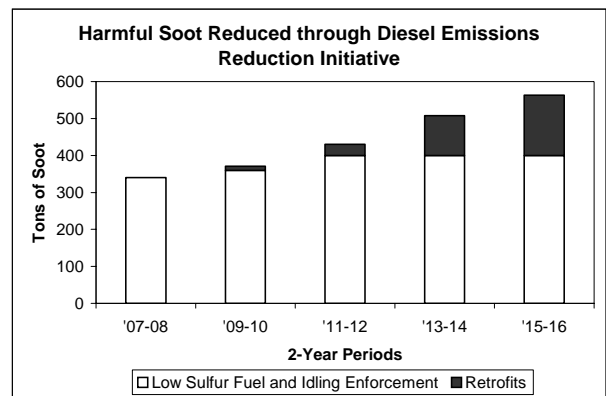
CBT Fiscal 2007 Increase:	
(In Millions)	
Diesel Emissions Reduction Program	\$22
Watershed Restoration Projects	\$5
Administrative Costs	\$5
Brownfields	\$13
Other Capital Projects	\$9
Total Increase	\$54

Along with providing additional funding for ongoing projects, such as cleanup of privately owned underground tanks, remediation of contaminated sites, and watershed monitoring and planning, the \$53.8 million increase in the CBT constitutional dedication will support two new initiatives:

Diesel Emissions Reduction

Over the next ten years, the Diesel Emissions Reduction program aims to reduce diesel exhaust emission levels through the use of ultra-low-sulfur

diesel fuel, prevention of idling, and retrofitting of 40,000 vehicles in the following categories: all school buses; garbage trucks that are publicly owned or used in a public contract; all transit and charter buses; and publicly owned on-road and non-road vehicles. By reducing exposure to diesel particulates, this new program will enable New Jersey to prevent up to 150 premature deaths each year and save up to \$1.4 billion in health care costs annually. This new program sets the framework for the most comprehensive mandatory diesel vehicle control program in the nation, and is a critical first step in reducing the risk posed by diesel emissions.



By 2016, the Diesel Emissions Reduction program will have eliminated 565 tons of soot from the atmosphere.

Watershed Restoration Projects

The Regional Stormwater Management Committees have identified over \$13 million in watershed restoration projects that are needed to address the ongoing sedimentation and pollution of impaired ponds and streams. The \$5 million Grants-In-Aid appropriation for Watershed Restoration Projects will help to address this need and successfully restore various watersheds including Lake Hopatcong, Long Swamp Creek in the Barnegat Bay Estuary, Delaware & Raritan Canal Tributaries, Wreck Pond, and Pequannock River.

Parks, Forests, Wildlife Management Areas, and Historic Sites

Recognizing the need for repairs and maintenance, an appropriation of \$40 million is proposed for fiscal 2007 for capital improvements in our state

parks, forests, wildlife management areas, and historic sites. This appropriation will provide an important step towards long-neglected capital needs and maintenance. DEP will undertake critical health and safety improvements including demolition of unsafe structures, asbestos removal, and lead abatement. Additional major projects will include restorations to State-owned historic sites, such as Batsto and Atsion Mansions, Rockingham, Waterloo Village, the historic train sheds at Liberty State Park, and DEP's most recent acquisition - the office and homestead of James Still in the Pinelands.

Water Resource Interconnection Projects

An amount of \$6 million will be appropriated to a new Water Resource Interconnection Projects program intended to protect and enhance the State's water supply through infrastructure and land acquisition projects. Some portion of this appropriation will be used to leverage approximately \$100 million in debt to finance projects required to address the State's most critical water supply needs. Major projects planned include:

- The Raritan Confluence Reservoir Project will connect Round Valley Reservoir and the confluence of the north and south branches of the Raritan River;
- An interconnection between the Central and Coastal North Drought Regions to help avert or mitigate Coastal North drought events in Southeastern Middlesex, Monmouth and Ocean Counties;
- Interconnections within the Southwest Drought Region which will extend the New Jersey American Tri-County Pipeline into Southwestern New Jersey to serve growth areas where water supplies are impacted by saltwater intrusion or contamination.

Passaic River Cleanup Litigation

To pursue the cleanup of toxic dioxin contamination in the Newark Bay Complex, the Fiscal 2007 Budget will provide an amount sufficient to cover legal and expert services, investigative expenses, and other associated costs.

For more than 20 years, Occidental Chemical and its predecessors knowingly discharged a highly toxic form of dioxin, pesticides, and other chemicals into the Passaic River from their Newark facility. The environmental and economic damage this pollution has inflicted on the state includes increased cancer risks from consuming blue claw crabs and higher costs to dredge the New York Harbor's navigational channels.

Reduced Salary Costs

As part of Governor Corzine's initiative to minimize operating costs of the State, the DEP's appropriation for salaries will be reduced by \$2.5 million. The Department will manage this reduction through more efficient reallocation of resources and staff attrition.

Impact of the Federal Budget on NJ

The President's Fiscal 2007 Budget contains major reductions in federal funding for states. If the President's proposed budget is enacted, New Jersey will see cuts in many discretionary and mandatory health, education, transportation, homeland security, labor, and justice programs. Also, several critical programs, including the Community Services Block Grant, would be eliminated. In addition to these proposed cuts, the recently enacted Deficit Reduction Act (DRA) includes new TANF mandates that will impose substantial financial burdens on the State. Finally, the State has incurred significant costs due to the serious complications that have arisen during the transition to the new Medicare Part D prescription drug program.

These critical losses of federal funding pose serious challenges for New Jersey's citizens and for the State's budget.

Medicare

The President's Fiscal 2007 Budget also imposes deep cuts in Medicare reimbursement for New Jersey's health care providers. The President's budget would reduce outpatient hospital reimbursements by \$29.2 million in fiscal 2007 and by \$384.5 million over the next five years. This potential loss of funding threatens to impact the quality care that New Jersey's hospitals

SUMMARIES OF APPROPRIATIONS

provide to our citizens. New Jersey's hospitals currently provide \$1 billion in charity care every year. Any loss of federal funding will increase financial burdens on hospitals currently struggling to make ends meet and will result in additional pressure to increase State financial assistance to the State's hospitals.

Additionally, since January 1, 2006, New Jersey has incurred almost \$130 million in expenditures to provide prescription drug coverage to Medicaid and Pharmaceutical Assistance for the Aged and Disabled (PAAD) beneficiaries who enrolled in the new Medicare Part D prescription drug benefit and whose prescription drug expenses should have been paid for by Medicare's private insurance contractors but were not because of disruptions in the transition to the new benefit. Despite the fact that the federal government has committed to reimburse New Jersey for the \$67 million it has incurred to provide emergency drug coverage to nearly 1 million Medicaid beneficiaries who are dually eligible for Medicare, no reimbursements have yet been provided. Additionally, the State continues to negotiate with the federal government for reimbursement of the \$60 million New Jersey spent to provide emergency coverage to PAAD beneficiaries who enrolled in Part D, but who were unable to access coverage under the program; however, the federal government has not yet offered a plan for reimbursing the State. As a result, it remains unclear whether New Jersey will have to seek reimbursement directly from the private drug plans that should have paid for these claims, or whether the federal government will reimburse the State for any differential between the pharmacy rates the State paid and what the plans would have paid.

Temporary Assistance for Needy Families (TANF)

While the Deficit Reduction Act maintains level funding of \$404 million for New Jersey's TANF block grant, the Act imposes new work participation requirements that would require New Jersey to increase its current caseload work participation rate from 29 percent to 50 percent. This will impose significant burdens on single parents and individuals with disabilities who face substantial barriers to work. The fiscal 2007 costs

to meet the provisions of the Act include: \$19 million to meet the new work participation requirements, \$13 million to provide child care services to parents in the new work activity slots, and \$4 million to for a new work participation validation system. These costs will be funded through \$7 million of new State appropriations and \$29 million of federal TANF and Child Care block grant funding.

No Child Left Behind

The President's Fiscal 2007 Budget dramatically underfunded the No Child Left Behind Act (NCLB) authorization by \$15.4 billion. The cumulative funding shortfall for NCLB programs would rise to \$55.7 billion, since the enactment of the law in 2002. The President's budget leaves behind nearly 71,000 New Jersey students who could be served by Title I, if the program were funded at the level promised by NCLB. New Jersey is projected to lose \$3.8 million in Title I funding under the President's proposed budget; this is particularly problematic because Title I funding is dedicated to the purpose of improving the academic achievement of low-income and educationally needy children. As the 2014 benchmark of 100% proficiency for all students draws closer, the required accountability activities at the State, district, and school levels are increasing while funding for New Jersey is decreasing. This imbalance continues to make implementation of required activities more difficult.

Afterschool Programs

While total federal funding for 21st Century Community Learning Centers would remain flat under the President's proposed budget, New Jersey's funding will be cut by 2.8%. This cut will prevent the State from awarding new grants and compromise the existing grantees' capacity to operate high quality programs and meet additional program requirements mandated by NCLB.

Special Education

In fiscal 2007, the proposed federal budget continues to retreat from its commitment to students with disabilities and the communities that educate them. Indeed, for the second year in a

row, the federal government would provide for an even smaller share of the State's total costs for special education. The federal government intends to meet only 17% of the national average expenditure per student for educating students with disabilities. This is still less than half of the 40% level that Congress committed to paying when the Individuals with Disabilities Education Act (IDEA) was first adopted 31 years ago and is down from 18% in fiscal 2006 and 19% in fiscal 2005.

Higher Education

The federal budget does not meet its share of the cost of higher education. The Pell grant, the foundation of federal need-based aid, serves 95,037 New Jersey students with \$236.2 million in grant aid. The maximum grant has been flat funded at \$4,050 for four years, even though tuitions in New Jersey and across the nation have been increasing, and this year the President again proposed no increase. As a result, the maximum Pell grant now covers only 36% of the cost of attending a four-year college.

In addition, campus-based aid programs that allow institutions to meet student need through Supplemental Education Opportunity Grants, Work Study and Perkins loans have also been flat-funded during this time, leaving little alternative to students other than incurring more debt.

Social Services Block Grant and Community Services Block Grant

New Jersey's communities rely on the critical federal funding they receive from the Social Services Block Grant (SSBG) and the Community Services Block Grant (CSBG) programs that for 25 years have funded substance abuse treatment, child care, foster care services, and services to reduce poverty. The State currently passes \$17 million of the \$50 million federal SSBG funds it receives to the counties to administer critical social services programs. The President's budget would result in a \$14.7 million reduction – almost a 30% cut – in SSBG funding for New Jersey. These proposed cuts would either require a reduction in funding to the counties and a reduction in important services, or would require the State to come up with State funds to supplant the loss of federal funding.

In addition, the President's proposed budget would also completely eliminate the CSBG, which provides \$17 million in federal funds annually to the State. With the CSBG grant it receives, New Jersey funds various health, education, and employment programs aimed at reducing poverty. This loss of federal funds will result in a decrease of critical services to assist our State's most vulnerable citizens.

MANAGEMENT EFFICIENCIES

Overview

As evidenced by this fiscal year document, New Jersey has gone about the exercise of meeting the funding needs of State government through an annual process. While Governor Corzine has served in office just two months as of this writing, he is recasting how the public's money will be managed and conserved. In essence, the proposal and enactment of a budget will be neither the beginning nor the end of the fiscal process in the Corzine Administration. Every spending line and every program in the budget has been examined, and will be repeatedly reviewed and scrutinized on an ongoing basis through the course of the fiscal year.

Through vigilant and persistent management oversight, the Corzine Administration will:

- Target waste, fraud and abuse of all spending;
- Scrutinize and challenge all expenditures for the operations of government;
- Improve the efficiency and effectiveness of government without compromising our basic services to citizens;
- Articulate and implement re-engineering strategies to achieve long term structural balance in the budget;
- Collect and maximize all federal revenues and reimbursement programs available to the State;
- Manage revenues and appropriations with transparency and openness.

Ending Pension Abuses

In his Fiscal 2006 Budget, Governor Codey committed to creating a task force to review pension and health benefits and make recommendations for savings in these rapidly growing fixed costs. Among the recommendations

of that task force were several statutory changes to the pension systems that would eliminate abuses such as tacking and double-dipping. Governor Corzine looks forward to working with the Legislature to enact these reforms, which are anticipated to produce \$3.5 million in savings. The proposed reforms include:

- Ending hired professional services pensions. Since the principal purpose of any public retirement plan is to provide adequate retirement benefits, such coverage should only be extended to "true" public employees. Professional services vendors, such as municipal attorneys, tax assessors, etc., who are retained under public contracts approved by an appointing agency, should not be eligible for a pension. These vendors simply do not meet the original purpose of the public retirement plan and should not be eligible to participate in the plan.
- Newly elected officials and political appointees would receive a defined contribution pension. Instead of the defined benefit plan that is currently offered, elected officials and political appointees should be eligible for a defined contribution plan similar to the Alternate Benefit Program available to higher education employees. A prohibition on participation in the defined benefits plan would not apply to those who have previously vested with a defined benefit pension account and who meet the annual income requirements.
- End tacking: pick your job going forward. "Tacking" is holding multiple positions at the same time in order to increase the salary base that will be used for retirement purposes. There is currently no prohibition against employees enrolling in the retirement system through multiple jobs and aggregating the salaries for the purpose of increasing their retirement

calculation. This practice cannot be continued. Employees would be required to designate a single job on which their pension would be calculated, and contributions would be derived solely from that job.

- Change the rules for obtaining pension service credit. The pension system is meant for individuals who are career employees of the State or local governments. Currently, an individual receiving a salary as low as \$1,500 per year is entitled to earn service credit in the pension system on the same basis as a full-time career employee. This low threshold has facilitated pension abuses, such as “boosting,” that occurs when members participate at a minimal level for many years and obtain a high-paying position only as they near retirement, or when members who have had a full career take a low paying job prior to retirement in order to extend years of service that are used to calculate the pension. Simply put, people who should not be earning credit in the pension system are, and that hurts everyone. Increasing the salary standard to \$5,000 or adopting a standard of 1,000 hours of service per year, as is done in private sector pensions governed by the federal Employee Retirement Income Security Act, will decrease this problem.

Compliance Measures

The Department of Human Services projects savings of \$55 million in Division of Medical Assistance and Health Services (DMAHS) and Division of Family Development (DFD) programs by bringing providers into compliance with State regulations.

DMAHS has recently found lapses in provider standards and is experiencing excessive growth and costs in certain service areas. A savings of \$50 million will be generated by establishing stricter oversight through various initiatives including: limiting and monitoring provider participation to ensure quality service and termination of low performers; auditing areas of unexpected high growth; competitively bidding a broader array of

services; providing targeted case management to high-cost clients; increasing investigative staff; and improving recoveries from third-party providers.

In fiscal 2006, a DFD auditing team reviewing Newark’s municipal General Assistance (GA) program, which provides cash assistance to singles and childless couples, identified multiple processing deficiencies, which, once corrected, resulted in a caseload reduction of 30%. These deficiencies were primarily related to improper client identification and untimely reevaluation of employment status, resulting in poor client tracking and working clients collecting benefits. A newly established five-person team will now examine all county and municipal welfare agencies, and is anticipating a 3% caseload decline for a fiscal 2007 savings of \$5 million.

General Assistance Retroactive Credit

This initiative will leverage additional federal revenue of \$14.1 million. The Department of Human Services’ Division of Medical Assistance and Health Services is retroactively claiming beneficiaries deemed Medicaid-eligible, allowing for greater federally matchable recoveries in fiscal 2007.

Enroll Institutional Medicare-only Clients into Medicare Part D

This initiative generates a savings of \$14.9 million by enrolling all Medicare-eligible institutional beneficiaries in Medicare Part D, the new federal prescription drug program. Through enrollment, the federal government will become the primary payer for nearly 3,000 individuals.

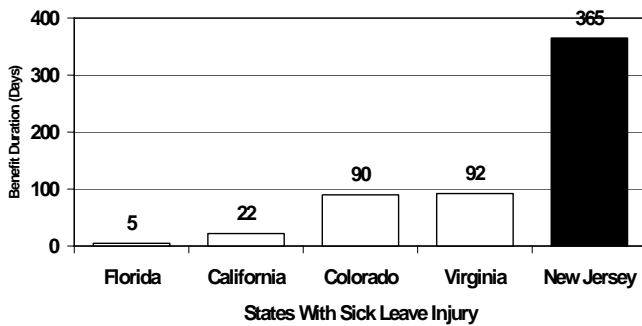
Sick Leave Injury

This Budget proposes to eliminate the Sick Leave Injury (SLI) program for a savings of \$3 million. New Jersey is one of only five states that provide a sick leave benefit at full wages in addition to Workers Compensation (WC). As opposed to WC, which pays injured employees a temporary benefit at 70% of the statewide average weekly wage (equivalent to pre-tax wage of \$50,000 per year), SLI is a salary continuation program that provides full pay to employees. This one year benefit is by

SUMMARIES OF APPROPRIATIONS

far the most generous in the country, as coverage in the four other states ranges from 5 to 90 days. From fiscal 1999 through fiscal 2000, SLI costs increased 104%, from \$4.7 million to an estimated \$9.6 million, far outpacing growth in State employees (less than 3%) and collective bargaining increases (18%). Recent audits of State benefit programs have uncovered numerous repeat claims, suggesting that the availability of dual programs for sick leave and work-related injuries encourages fraud and abuse.

NJ - Most Generous Sick Leave Injury Benefit in Nation



New Jersey's Sick Leave Injury benefit is four times longer than any other state.

Risk Management

A recent study conducted by one of New Jersey's largest joint insurance funds determined that fundamental changes were required in the State's approach to risk management, particularly in Workers Compensation (WC). According to the study, New Jersey has the second highest accident rate among state governments. The number of WC claims for State employees increased sharply in recent years, growing by 20% from 7,015 in fiscal 2000 to 8,440 in fiscal 2005. Costs rose by over \$17 million (over 40%) during the same period.

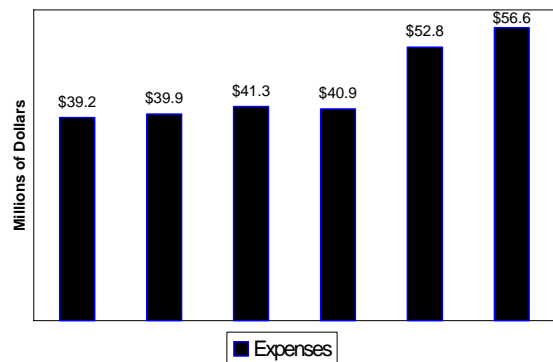
Although New Jersey was one of the first states to establish a Bureau of Risk Management (BRM) within the Department of Treasury, authority and responsibility is fragmented among several unrelated departments, including Personnel and Labor. The study further concluded that line departments have little responsibility for managing claims and even less financial accountability.

In response, BRM identified reforms in three broad areas: claims management, risk finance, and loss control. The following improvements were recently implemented:

- Electronic claims reporting to agencies to determine claim trends and causes;
- Additional staffing to aggressively investigate claims and encourage employees' return to work;
- To combat potential fraud, increased coordination with the Department of Labor and Workforce Development, to determine if injured employees are working elsewhere, and with the Department of Personnel to review Sick Leave Injury claims; and
- Improved subrogation program to increase third party recoveries.

Over the next six months, BRM will work with agencies to establish safety committees. BRM will also implement a Statewide Risk Management Committee to provide a forum for agency input, particularly in how the State should manage its risk. The goal is to arrest the growth of claims and costs, reduce fraud and abuse and, most importantly, improve worker safety.

N.J.'s Workers Compensation Expenses



N.J.'s Workers Compensation costs have risen more than 40% over six years.

Employee Telephone – Cost Recovery

The Office of Information Technology (OIT) issues paper copies of telephone billings to recover the cost of employees' personal calls. Currently, an average of only 1,200 of the State's 78,000 total employees actually pay, generating only \$115,000 per year. Printing costs alone, however, total \$360,000. To improve the efficiency of these cost recoveries, OIT is implementing a new telephone billing system that will reduce printing costs and administration. It will also highlight billing irregularities through automated management reports, as well as isolate areas of potential reimbursement and possible abuse.

Cooperative Purchasing - Computers

Treasury's Division of Purchase and Property (DPP) is actively pursuing the implementation of a strategic sourcing initiative designed to reduce the cost of purchases by leveraging the State's buying power and expanding competition among vendors. As its first order of business, DPP recently restructured the mini/micro computer contract that was awarded in 1997. New contracts will be issued to include: personal computers (PCs); ruggedized PCs; network servers and storage; wiring and cabling; IT services; and software. Statewide buying power in fiscal 2005 for these categories, including both State departments and local government expenditures, is estimated at more than \$500 million, of which at least \$217 million was from State departments. The new cooperative purchasing contracts are expected to generate millions in savings for both State departments and local governments in fiscal 2007. For localities, this represents a key opportunity to offset the rising cost of municipal services, one that can be maximized only by their full participation. DPP plans to reconstruct other state contracts to realize additional cost benefits.

Cooperative Purchasing –Local Energy Aggregation

In fiscal 2003, the State implemented the Consolidated Energy Savings Program (NJCESP), joining with New Jersey Transit, public colleges,

and toll road authorities to buy natural gas and electrical power in bulk. These contracts provide two primary benefits: price certainty and potential cost avoidance. When compared to the normal power rates charged by utilities, cost avoidance under NJCESP has averaged 14% for electricity and 13% for natural gas over the life of the contracts. These savings could be increased and extended to benefit localities (e.g., municipal governments and school districts, but not residences) if towns were permitted to join NJCESP on a voluntary basis. That concept is authorized in pending legislation (S-1448, sponsored by State Senator Martha Bark) that is currently before the State Senate Economic Growth Committee. This bill, which unanimously passed the State Senate in 2005, would concentrate the energy needs of State and local facilities, thus maximizing market presence to ensure the best price possible. It would also provide more sophisticated contracting techniques/strategies vis-à-vis suppliers, and reduce administrative costs. Essentially, this legislation would provide another tool for localities to use to arrest the rising cost of local services.

Parking – Maximizing Existing Space

Presently, there are approximately 300 empty parking spaces in State-owned parking lots at Perry Street in Trenton. Separately, agencies have arranged for "waiver parking," which exceeds the standard allotment as allocated by Treasury's Division of Property Management, at a cost of over \$5 million annually. The State could save \$325,000 annually by simply reducing waiver parking and shifting affected employees to the Perry Street facility.

In addition, this Budget increases the Department of Banking and Insurance's existing annual assessment on the insurance industry by \$180,000 to properly charge the pro-rated portion of parking at the State's Bank Street garage in Trenton that is attributable to its Insurance-related employees. An analysis is ongoing to determine if other non-State programs are similarly situated.

SUMMARIES OF APPROPRIATIONS

Business Employment Incentive Program

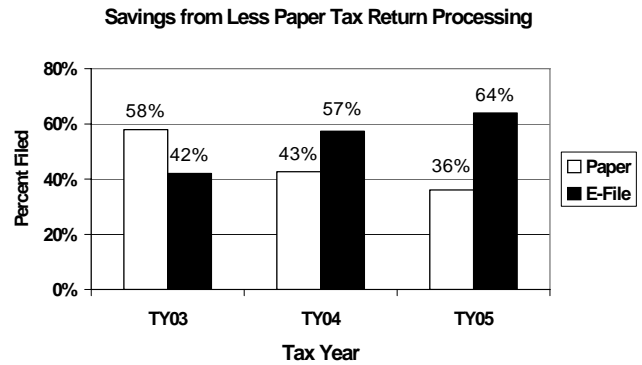
This Budget restores direct funding of the Business Employment Incentive Program (BEIP), reversing an expensive trend of using debt to pay for these grants. The BEIP offers incentives to attract out-of-state businesses to New Jersey and to retain those already in the State. Businesses that meet their job creation and retention commitments are entitled to a portion of the increased State income tax revenue these jobs generate. Since fiscal 1997, nearly 250 companies have committed to creating or retaining more than 58,000 jobs in the State. Since fiscal 1999, over 150 businesses have met their job commitments and been awarded rebates totaling \$253 million.

Because BEIP was viewed as too expensive for past State budgets, over \$300 million in debt has been issued since 2003 to pay for the rebates. Faced with escalating BEIP debt service of over \$48 million in fiscal 2007, this Administration has chosen to discontinue future debt financing and return to paying for BEIP rebates from the current year income tax revenues that the BEIP businesses generate. In fiscal 2007, income tax revenues generated by the BEIP program are expected to far exceed the estimated \$152 million that will be rebated back to these businesses.

Electronic Filing

Electronic filing/payment processing, or “e-filing,” enables the Department of Treasury to reduce its expenditures for paper handling tasks while increasing the speed and accuracy of services for taxpayers and employers. Specifically, e-filing eliminates manual tasks such as mail receipt and extraction, return screening, scanning, and data entry/verification. This, in turn, results in reduced outlays for staff, equipment, and contract services that support manual and semi-automated processing operations. In fiscal 2007, the threshold at which employers must e-file their quarterly wage reports will be reduced from ten to five employees, and tax practitioners who prepare 100 or more income tax returns also will be required to e-file. As a result, savings of \$1.3 million is projected. As a critical first step, enactment of legislation is required so that the

Division of Taxation may mandate and enforce e-filing for various tax systems. Ultimately, this initiative may also be expanded to include other agencies, such as the Department of Labor and Workforce Development, which may further reduce e-filing thresholds for employer wage reports.



NJ expects an FY07 savings of \$1.3m in processing costs due to the increasing popularity of e-filing.

Motor Vehicle Commission Management Efficiencies

The Motor Vehicle Commission (MVC) is planning a statewide initiative that would result in shorter motorist waiting times and eliminate the inconvenience and expense of a second trip to an inspection station for over 126,000 drivers. The proposal would eliminate the requirement of a re-inspection for minor safety violations (e.g., parking lights, wipers) and issue an advisory notifying the motorist of the violations. This initiative, which is subject to a public comment and rulemaking process, would effectuate a budget savings of approximately \$3.5 million.

Efficiencies planned by the MVC in fiscal 2007 for advertising, overtime, and postage total \$2.4 million. Reduced advertising expenditures will generate a savings of \$1 million. The MVC processes an average of 15 to 17 million pieces of mail annually. This includes Drivers License Renewals, Registration Renewals, Vehicle Titles, Change of Address Labels, Violation Documents, and Registration Certificates. Mailroom

modernization, related to sorting equipment, will save \$760,000 through efficiency in staffing and reduced overtime costs. Limiting the postage, by minimizing the number of inserts included in mailings, will reduce the standard weight of a single mailing from over two ounces to less than one ounce, generating a savings of \$600,000.

Reuse/Refurbishment of Furniture

The first phase of the consolidation of warehouse/records space, which was initiated in fiscal 2006, has been completed. Annual savings of over \$800,000 will be realized in the Central Rent budget as projected. During this consolidation, all excess or surplus furniture previously stored by departments individually in separate areas was consolidated into a "common stock" furniture section at the First Avenue warehouse in Trenton.

Simple repairs/cleaning/refurbishment of this furniture is being done by existing staff and then sorted by type and manufacturer. All departments have been notified and, before placing new orders, can now select appropriate furniture from this warehouse at no additional cost to the State. In the first nine months this project has been in effect, furniture purchases of almost \$1 million have been avoided.

In fiscal 2007, it is projected that over \$1.5 million worth of new furniture purchases can be avoided due to this project.

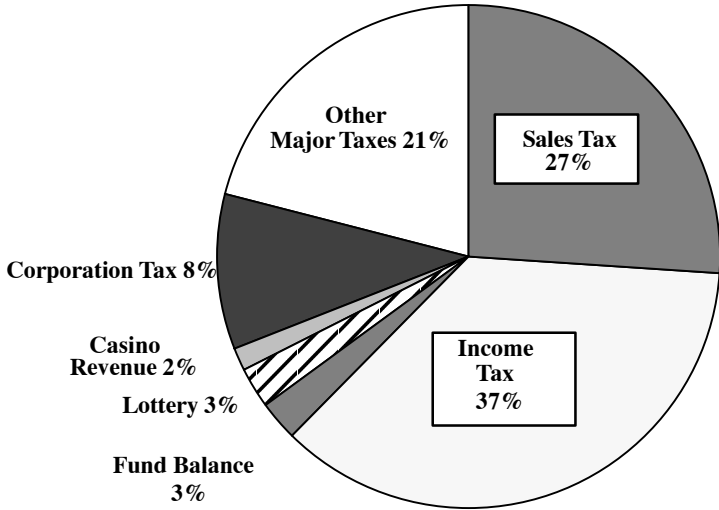
Statewide Management Efficiencies

The Budget assumes \$50 million in savings from management efficiencies in fiscal 2007. Taxpayer dollars should be expended wisely and only after painstaking efforts to conserve and preserve fiscal resources. New Jersey government has both the responsibility and capability to operate at peak efficiency, although it appears to fall short. To improve the efficiency and effectiveness of the State's operations requires a continuous and vigilant effort to find and harness the economies of scale in the day-to-day functions of government. For fiscal 2007, stepped-up efforts will be initiated to consolidate the operations and functions of state government agencies. These efforts will include, but not be limited to: ongoing and comprehensive reviews of fixed costs; pursuit of economies on materials, supplies, equipment, communications systems, and other operational tools of government; greater coordination and consolidation among agencies; and the elimination of duplication and waste. For example, one such initiative will include redeployment of the State vehicle fleet by the Department of Treasury Central Motor Pool. Treasury intends to recall ten percent of the State's 6,145 passenger vehicles (614 vehicles) which will be sold at auction.

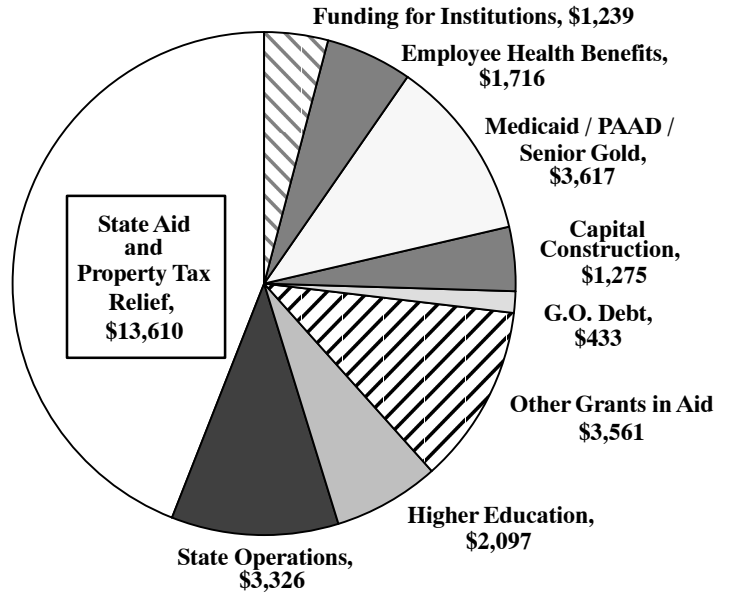
SUMMARIES OF APPROPRIATIONS

**RESOURCES AND RECOMMENDATIONS FOR FISCAL YEAR 2007
ALL STATE FUNDS**

Resources



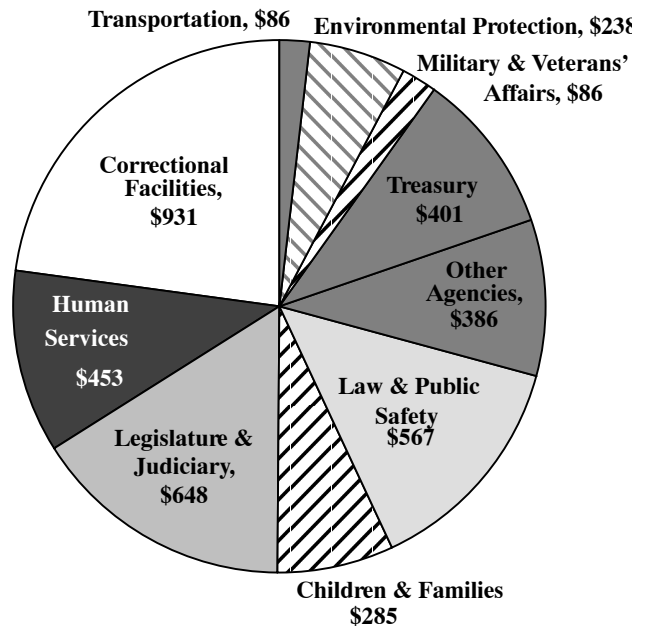
**Recommendations
(Millions of Dollars)**



**RESOURCES
(Thousands of Dollars)**

Income Tax	\$11,615,000
Sales Tax	8,377,000
Corporation and Bank Tax	2,648,000
Lottery Revenue	836,000
Casino Revenue	468,000
Other Major Taxes:	
Motor Fuels	554,000
Transfer Inheritance	539,000
Cigarette	491,000
Realty Transfer	476,000
Insurance Premium	462,000
Motor Vehicle Fees	275,000
Petroleum Products Gross Receipts	252,000
Alcoholic Beverage Excise	106,000
Tobacco Products Wholesale Sales	14,000
Public Utility Excise	10,000
Other Resources	3,528,691
Subtotal Resources	30,651,691
Estimated Fund Balance July 1, 2006:	
General Fund	514,628
Surplus Revenue Fund	300,372
Casino Control Fund	8,527
TOTAL	\$31,475,218

**STATE OPERATIONS
(Millions of Dollars)**



SUMMARIES OF APPROPRIATIONS

TABLE I
SUMMARY OF FISCAL YEAR 2006–2007 APPROPRIATION RECOMMENDATION
(thousands of dollars)

Table I shows the appropriations from all State sources by Fund. It highlights the percent change in appropriations between fiscal years.

	2006 Adjusted Approp.	2007 Recommended	Change		
			Dollar	Percent	
GENERAL FUND AND PROPERTY TAX RELIEF FUND					
State Aid and Grants	20,449,890	22,373,145	1,923,255	%	9.4
State Operations					
Executive Branch	3,464,171	3,360,655	-103,516		-3.0
Legislature	76,221	76,221	—		—
Judiciary	571,750	571,750	—		—
Interdepartmental	1,867,233	2,244,943	377,710		20.2
Total State Operations	5,979,375	6,253,569	274,194	%	4.6
Capital Construction	1,091,220	1,274,893	183,673		16.8
Debt Service	169,326	432,785	263,459		155.6
TOTAL GENERAL FUND AND PROPERTY TAX RELIEF FUND	27,689,811	30,334,392	2,644,581	%	9.6
CASINO CONTROL FUND	72,039	72,039	—		—
CASINO REVENUE FUND	500,941	468,087	-32,854		-6.6
GUBERNATORIAL ELECTIONS FUND	2,525	—	-2,525		-100.0
GRAND TOTAL STATE APPROPRIATIONS	28,265,316	30,874,518	2,609,202	%	9.2

TABLE II
SUMMARY OF FISCAL YEAR 2006–07 APPROPRIATION RECOMMENDATIONS
(thousands of dollars)

Table II shows comprehensive prior year financial data, current year appropriations, and budget year recommendations by fund and major spending category.

Year Ending June 30, 2005					Year Ending June 30, 2007		
Orig. & (S)Supple- mental	Reapp. & (R)Recpts.	Transfers & (E)Emer- gencies	Total Available	Expended	2006 Adjusted Approp.	Requested	Recom- mended
General Fund							
5,796,194	512,547	21,751	6,330,492	6,004,180	5,979,375	6,261,696	6,253,569
7,902,194	408,179	9,350	8,319,723	8,063,658	8,165,114	8,853,127	8,563,099
3,232,897	59,963	-110,354	3,182,506	3,125,889	1,925,276	2,245,942	2,195,046
1,104,633	189,422	17,671	1,311,726	1,106,110	1,091,220	1,274,893	1,274,893
270,179	—	-8,151	262,028	260,336	169,326	432,785	432,785
18,306,097	1,170,111	-69,733	19,406,475	18,560,173	17,330,311	19,068,443	18,719,392
Property Tax Relief Fund					10,359,500	11,615,000	11,615,000
9,761,500	5,765	84,694	9,851,959	9,284,031	72,039	72,039	72,039
68,500	956	—	69,456	68,277	500,941	468,087	468,087
499,836	143,596	—	643,432	643,060	2,525	—	—
8,870	—	—	8,870	6,310			
28,644,803	1,320,428	14,961	29,980,192	28,561,851	28,265,316	31,223,569	30,874,518
GRAND TOTAL STATE APPROPRIATIONS							

SUMMARIES OF APPROPRIATIONS

TABLE III
SUMMARY OF APPROPRIATIONS BY ORGANIZATION
(thousands of dollars)

Table III shows comprehensive prior year financial data, current year appropriations, and budget year recommendations by major spending category, governmental branch, and department.

Year Ending June 30, 2005					Year Ending June 30, 2007		
Orig. & (S)Supplemental	Reapp. & (R)Recpts.	Transfers & (E)Emergencies	Total Available	Expended	2006 Adjusted Approp.	Requested	Recommended
<u>DIRECT STATE SERVICES</u>							
Legislative Branch							
11,494	2,329	150	13,973	10,966	12,269	12,269	12,269
18,905	2,542	250	21,697	18,250	18,692	18,692	18,692
28,372	2,815	932	32,119	31,454	29,991	29,991	29,991
14,730	6,596	-39	21,287	14,357	15,269	15,269	15,269
73,501	14,282	1,293	89,076	75,027	76,221	76,221	76,221
Executive Branch							
5,267	977	187	6,431	5,133	5,183	4,924	4,924
9,123	2,257	683	12,063	11,403	9,569	8,994	8,994
67,703	7,686	—	75,389	64,386	68,033	67,965	67,965
230,939	—	10,258	241,197	241,114	191,881	285,046	285,046
35,969	35,426	-4,905	66,490	53,081	37,811	36,914	36,914
881,282	1,590	18,145	901,017	898,264	938,166	931,420	931,420
60,436	3,284	14,593	78,313	69,313	62,368	62,042	62,042
217,273	34,215	15,181	266,669	251,306	226,918	238,217	238,217
75,947	11,624	11,206	98,777	95,063	65,743	73,797	73,797
75,076	11,593	11,078	97,747	94,084	64,872	72,926	72,926
871	31	128	1,030	979	871	871	871
565,540	16,089	57,355	638,984	623,960	598,515	453,381	453,381
60,242	53,199	888	114,329	107,749	62,072	61,849	61,849
536,278	167,931	17,052	721,261	620,752	585,571	566,953	566,953
495,587	167,753	17,052	680,392	579,984	542,880	524,262	524,262
40,599	178	—	40,777	40,676	42,599	42,599	42,599
92	—	—	92	92	92	92	92
81,881	4,294	1,744	87,919	84,217	88,280	86,411	86,411
25,448	6,939	—	32,387	30,535	25,463	23,990	23,990
13,790	2,437	-325	15,902	13,164	16,220	19,420	19,420
32,729	1,116	845	34,690	32,925	28,116	31,514	23,387
110,288	5,997	2,951	119,236	118,513	103,955	86,448	86,448
409,808	67,996	4,069	481,873	452,543	421,877	401,092	401,092
381,907	67,218	4,069	453,194	424,942	392,437	371,652	371,652
27,901	778	—	28,679	27,601	29,440	29,440	29,440
1,390	3	6	1,399	1,399	1,432	1,407	1,407
3,421,333	423,060	149,933	3,994,326	3,774,820	3,537,173	3,441,784	3,433,657
3,351,870	422,073	149,805	3,923,748	3,705,472	3,464,171	3,368,782	3,360,655
68,500	956	—	69,456	68,277	72,039	72,039	72,039
963	31	128	1,122	1,071	963	963	963

SUMMARIES OF APPROPRIATIONS

Year Ending June 30, 2005					Year Ending June 30, 2007			
Orig. & (S)Supple- mental	Reapp. & (R)Recpts.	Transfers & (E)Emer- gencies	Total Available	Expended		2006 Adjusted Approp.	Requested	Recom- mended
<u>DIRECT STATE SERVICES</u>								
Inter-Departmental Accounts								
153,023	134	—	153,157	150,856	Property Rentals	146,320	158,690	158,690
103,911	7,214	-1	111,124	94,206	Insurance and Other Services	103,011	106,711	106,711
1,357,386	19,008	605	1,376,999	1,368,281	Employee Benefits	1,495,797	1,716,124	1,716,124
55,469	761	-6,985	49,245	33,516	Other Inter-Departmental Accounts	79,421	77,142	77,142
137,280	33,860	-126,027	45,113	5,717	Salary Increases and Other Benefits	7,500	135,360	135,360
31,681	2,212	—	33,893	33,893	Utilities and Other Services	35,184	50,916	50,916
1,838,750	63,189	-132,408	1,769,531	1,686,469	Total Inter-Departmental Accounts	1,867,233	2,244,943	2,244,943
Judicial Branch								
532,073	13,003	3,061	548,137	537,212	The Judiciary	571,750	571,750	571,750
5,865,657	513,534	21,879	6,401,070	6,073,528	Total Direct State Services	6,052,377	6,334,698	6,326,571
5,796,194	512,547	21,751	6,330,492	6,004,180	(From General Fund)	5,979,375	6,261,696	6,253,569
68,500	956	—	69,456	68,277	(From Casino Control Fund)	72,039	72,039	72,039
963	31	128	1,122	1,071	(From Casino Revenue Fund)	963	963	963
<u>GRANTS-IN-AID</u>								
Executive Branch								
2,755	92	182	3,029	2,688	Department of Agriculture	1,575	5,025	5,025
415,155	—	16,754	431,909	431,558	Department of Children and Families	547,372	679,769	679,769
69,005	10,163	9,997	89,165	61,118	Department of Community Affairs	55,710	63,760	63,760
113,599	2,219	1,950	117,768	116,618	Department of Corrections	138,383	133,151	133,151
25,544	—	396	25,940	25,277	Department of Education	18,129	41,813	41,813
16,250	8,207	-5,980	18,477	13,491	Department of Environmental Protection	750	33,165	33,165
1,837,841	170,369	-830	2,007,380	1,940,408	Department of Health and Senior Services	1,624,988	1,859,112	1,859,112
1,485,432	26,804	-702	1,511,534	1,444,773	(From General Fund)	1,274,646	1,542,202	1,542,202
352,409	143,565	-128	495,846	495,635	(From Casino Revenue Fund)	350,342	316,910	316,910
3,303,048	335,272	798	3,639,118	3,591,061	Department of Human Services	3,536,989	3,461,642	3,461,642
3,184,311	335,272	798	3,520,381	3,472,434	(From General Fund)	3,424,145	3,348,798	3,348,798
118,737	—	—	118,737	118,627	(From Casino Revenue Fund)	112,844	112,844	112,844
45,603	—	341	45,944	41,944	Department of Labor and Workforce Development	47,282	54,282	54,282
43,163	—	341	43,504	39,504	(From General Fund)	44,842	51,842	51,842
2,440	—	—	2,440	2,440	(From Casino Revenue Fund)	2,440	2,440	2,440
28,178	—	81	28,259	25,399	Department of Law and Public Safety	23,702	21,379	21,379
19,308	—	81	19,389	19,089	(From General Fund)	21,177	21,379	21,379
8,870	—	—	8,870	6,310	(From Gubernatorial Elections Fund)	2,525	—	—
1,044	62	1	1,107	1,073	Department of Military and Veterans' Affairs	1,544	1,544	1,544
1,158,257	21,695	28,891	1,208,843	1,179,280	Department of State	1,288,348	1,401,649	1,133,287
278,700	1,655	45	280,400	278,791	Department of Transportation	273,700	300,700	300,700
2,398,523	117	3,279	2,401,919	1,821,795	Department of the Treasury	1,029,865	1,740,039	1,718,373
235,812	93	3,279	239,184	211,950	(From General Fund)	239,977	399,851	378,185
2,162,711	24	—	2,162,735	1,609,845	(From Property Tax Relief Fund)	789,888	1,340,188	1,340,188
9,693,502	549,851	55,905	10,299,258	9,530,501	Total Executive Branch	8,588,337	9,797,030	9,507,002
7,048,335	406,262	56,033	7,510,630	7,297,644	(From General Fund)	7,330,298	8,024,648	7,734,620
2,162,711	24	—	2,162,735	1,609,845	(From Property Tax Relief Fund)	789,888	1,340,188	1,340,188
473,586	143,565	-128	617,023	616,702	(From Casino Revenue Fund)	465,626	432,194	432,194
8,870	—	—	8,870	6,310	(From Gubernatorial Elections Fund)	2,525	—	—

SUMMARIES OF APPROPRIATIONS

Year Ending June 30, 2005					Year Ending June 30, 2007			
Orig. & (S) Supplemental	Reapp. & (R) Recpts.	Transfers & (E) Emergencies	Total Available	Expended	2006 Adjusted Approp.	Requested	Recommended	
GRANTS-IN-AID								
Inter-Departmental Accounts								
619,292	179	-1,868	617,603	615,500	Employee Benefits	673,658	683,358	683,358
114,198	—	-14,157	100,041	59,326	Other Inter-Departmental Accounts	54,925	14,925	14,925
31,158	—	-31,158	—	—	Salary Increases and Other Benefits	—	—	—
89,211	1,738	—	90,949	90,688	Aid to Independent Authorities	106,233	130,196	130,196
853,859	1,917	-47,183	808,593	765,514	Total Inter-Departmental Accounts	834,816	828,479	828,479
Judicial Branch								
—	—	500	500	500	The Judiciary	—	—	—
—	—	500	500	500	Total Judicial Branch	—	—	—
10,547,361	551,768	9,222	11,108,351	10,296,515	Total Grants-in-Aid	9,423,153	10,625,509	10,335,481
7,902,194	408,179	9,350	8,319,723	8,063,658	(From General Fund)	8,165,114	8,853,127	8,563,099
2,162,711	24	—	2,162,735	1,609,845	(From Property Tax Relief Fund)	789,888	1,340,188	1,340,188
473,386	143,565	-128	617,023	616,702	(From Casino Revenue Fund)	465,626	432,194	432,194
8,870	—	—	8,870	6,310	(From gubernatorial Elections Fund)	2,525	—	—
STATE AID								
Executive Branch								
11,085	331	-48	11,368	10,345	Department of Agriculture	11,727	11,727	11,727
1,032,765	25,750	-953	1,057,562	1,050,857	Department of Community Affairs	1,100,015	1,057,368	1,057,368
103,196	25,750	-18,220	110,726	106,535	(From General Fund)	107,446	92,196	92,196
929,569	—	17,267	946,836	944,322	(From Property Tax Relief Fund)	992,569	965,172	965,172
8,882,235	11,314	-18,527	8,875,022	8,857,738	Department of Education	9,384,942	10,424,820	10,424,820
2,385,849	5,573	-93,915	2,297,507	2,291,403	(From General Fund)	983,919	1,282,814	1,282,814
6,496,386	5,741	75,388	6,577,515	6,566,335	(From Property Tax Relief Fund)	8,401,023	9,142,006	9,142,006
20,707	32	150	20,889	20,619	Department of Environmental Protection	19,222	20,566	20,566
12,207	32	150	12,389	12,162	(From General Fund)	10,222	11,066	11,066
8,500	—	—	8,500	8,457	(From Property Tax Relief Fund)	9,000	9,500	9,500
9,508	—	—	9,508	9,269	Department of Health and Senior Services	9,552	9,552	9,552
370,567	9,014	833	380,414	379,793	Department of Human Services	468,879	428,123	428,123
1,624	—	—	1,624	1,624	Department of Labor and Workforce Development	1,522	1,522	1,522
14,820	10,984	1,629	27,433	12,453	Department of Law and Public Safety	8,030	28,030	28,030
16,827	—	—	16,827	16,598	Department of State	18,537	38,160	18,520
25,287	—	—	25,287	25,287	Department of Transportation	34,352	34,930	34,930
25,287	—	—	25,287	25,287	(From Casino Revenue Fund)	34,352	34,930	34,930
471,548	8,279	-8,744	471,083	440,779	Department of the Treasury	472,462	500,886	469,630
307,214	8,279	-783	314,710	285,707	(From General Fund)	305,442	342,752	311,496
164,334	—	-7,961	156,373	155,072	(From Property Tax Relief Fund)	167,020	158,134	158,134
10,856,973	65,704	-25,660	10,897,017	10,825,362	Total Executive Branch	11,529,240	12,555,684	12,504,788
3,232,897	59,963	-110,354	3,182,506	3,125,889	(From General Fund)	1,925,276	2,245,942	2,195,046
7,598,789	5,741	84,694	7,689,224	7,674,186	(From Property Tax Relief Fund)	9,569,612	10,274,812	10,274,812
25,287	—	—	25,287	25,287	(From Casino Revenue Fund)	34,352	34,930	34,930
10,856,973	65,704	-25,660	10,897,017	10,825,362	Total State Aid	11,529,240	12,555,684	12,504,788
3,232,897	59,963	-110,354	3,182,506	3,125,889	(From General Fund)	1,925,276	2,245,942	2,195,046
7,598,789	5,741	84,694	7,689,224	7,674,186	(From Property Tax Relief Fund)	9,569,612	10,274,812	10,274,812
25,287	—	—	25,287	25,287	(From Casino Revenue Fund)	34,352	34,930	34,930

SUMMARIES OF APPROPRIATIONS

Orig. & (S)Supple- mental	Year Ending June 30, 2005					2006 Adjusted Approp.	Year Ending June 30, 2007	
	Reapp. & (R)Recpts.	Transfers & (E)Emer- gencies	Total Available	Expended			Requested	Recom- mended
CAPITAL CONSTRUCTION								
Legislative Branch								
—	2,363	—	2,363	2,190	Legislative Support Services	—	—	—
—	2,363	—	2,363	2,190	Total Legislative Branch	—	—	—
Executive Branch								
—	1,142	—	1,142	150	Department of Agriculture	—	250	250
—	—	—	—	—	Department of Children and Families	—	10,000	10,000
500	6,359	—	6,859	1,710	Department of Corrections	5,000	—	—
—	946	—	946	166	Department of Education	1,050	2,450	2,450
116,453	100,273	-9,730	206,996	89,837	Department of Environmental Protection	84,263	147,767	147,767
—	752	—	752	327	Department of Health and Senior Services	—	—	—
10,400	18,727	—	29,127	14,112	Department of Human Services	11,600	7,700	7,700
—	18,246	3,000	21,246	10,790	Department of Law and Public Safety	4,805	1,500	1,500
2,627	812	505	3,944	1,143	Department of Military and Veterans' Affairs	175	2,590	2,590
—	2	—	2	—	Department of Personnel	—	—	—
1,000	122	300	1,422	971	Department of State	—	—	—
805,000	—	—	805,000	805,000	Department of Transportation	805,000	895,000	895,000
—	5,318	5,954	11,272	5,825	Department of the Treasury	—	—	—
—	2	—	2	—	Miscellaneous Commissions	—	—	—
935,980	152,701	29	1,088,710	930,031	Total Executive Branch	911,893	1,067,257	1,067,257
Inter-Departmental Accounts								
168,653	34,358	17,642	220,653	173,889	Capital Projects – Statewide	179,327	207,636	207,636
168,653	34,358	17,642	220,653	173,889	Total Inter-Departmental Accounts	179,327	207,636	207,636
1,104,633	189,422	17,671	1,311,726	1,106,110	Total Capital Construction	1,091,220	1,274,893	1,274,893
DEBT SERVICE								
Executive Branch								
37,660	—	3,577	41,237	39,715	Department of Environmental Protection	24,675	64,664	64,664
232,519	—	-11,728	220,791	220,621	Department of the Treasury	144,651	368,121	368,121
270,179	—	-8,151	262,028	260,336	Total Executive Branch	169,326	432,785	432,785
270,179	—	-8,151	262,028	260,336	Total Debt Service	169,326	432,785	432,785
28,644,803	1,320,428	14,961	29,980,192	28,561,851	GRAND TOTAL-STATE APPROPRIATIONS	28,265,316	31,223,569	30,874,518
18,306,097	1,170,111	-69,733	19,406,475	18,560,173	(From General Fund)	17,330,311	19,068,443	18,719,392
68,500	956	—	69,456	68,277	(From Casino Control Fund)	72,039	72,039	72,039
9,761,500	5,765	84,694	9,851,959	9,284,031	(From Property Tax Relief Fund)	10,359,500	11,615,000	11,615,000
499,836	143,596	—	643,432	643,060	(From Casino Revenue Fund)	500,941	468,087	468,087
8,870	—	—	8,870	6,310	(From Gubernatorial Elections Fund)	2,525	—	—

SUMMARIES OF APPROPRIATIONS

TABLE IV
SUMMARY OF APPROPRIATIONS BY CATEGORY OR PURPOSE
(thousands of dollars)

Table IV shows prior year expenditures, current year appropriations, and budget year request & recommendations by Category or Purpose within fund and major spending category.

	2005 Expenditures	2006 Adjusted Appropriation	2007 Requested	2007 Recom- mended
General Fund—				
Direct State Services—				
Personal Services	2,746,902	2,837,267	2,833,683	2,832,845
Materials and Supplies	232,266	210,735	223,809	223,620
Services Other Than Personal	456,309	431,443	439,010	438,922
Maintenance and Fixed Charges	242,989	231,775	238,297	238,246
Improvements and Equipment	50,376	37,164	30,749	30,703
Employee Pension and Health Benefits	1,368,281	1,495,797	1,716,124	1,716,124
Human Services Programs	55,556	28,672	23,746	23,746
Other	851,501	706,522	756,278	749,363
<i>Total Direct State Services</i>	<i>6,004,180</i>	<i>5,979,375</i>	<i>6,261,696</i>	<i>6,253,569</i>
Grants-in-Aid—				
Employee Pension and Health Benefits	615,500	673,658	673,658	673,658
Rutgers, The State University	326,961	356,250	349,400	300,329
University of Medicine and Dentistry of New Jersey	215,150	242,939	273,131	194,165
New Jersey Institute of Technology	50,312	51,512	60,532	45,752
State Colleges	288,197	300,352	383,855	267,340
Other Higher Education Programs	82,550	89,559	108,173	98,768
Transit Subsidy	278,791	273,700	300,700	300,700
Student Aid—Scholarships and Grants	252,045	289,535	292,933	290,183
Support of Independent Higher Education Institutions	25,359	25,959	31,919	13,378
Correctional Facilities	116,618	138,383	133,151	133,151
Support of the Arts	28,903	30,030	23,562	23,562
Income Maintenance Management	244,887	248,574	257,991	257,991
Medicaid and Pharmaceutical Assistance to the Aged and Disabled	3,344,466	3,250,008	3,242,489	3,242,489
Children's Services	431,558	547,372	674,769	674,769
Services for the Developmentally Disabled	476,690	471,484	492,526	492,526
Mental Health Services	251,726	289,872	266,133	266,133
AIDS Control	33,374	34,351	31,651	31,651
Other Human Services Programs	52,287	56,093	49,206	49,206
Other	948,284	795,483	1,207,348	1,207,348
<i>Total Grants-in-Aid</i>	<i>8,063,658</i>	<i>8,165,114</i>	<i>8,853,127</i>	<i>8,563,099</i>
State Aid—				
Educational	2,536,474	1,240,092	1,612,840	1,561,944
Welfare	268,349	352,304	299,548	299,548
Health and Senior Services and Human Services	120,713	126,127	138,127	138,127
Payment to Counties and Municipalities	176,738	189,501	157,331	157,331
Other	23,615	17,252	38,096	38,096
<i>Total State Aid</i>	<i>3,125,889</i>	<i>1,925,276</i>	<i>2,245,942</i>	<i>2,195,046</i>

SUMMARIES OF APPROPRIATIONS

	2005 Expenditures	2006 Adjusted Appropriation	2007 Requested	2007 Recom- mended
Capital Construction—				
Transportation Trust Fund	805,000	805,000	895,000	895,000
Environmental	—	—	40,000	40,000
Educational	166	1,050	2,450	2,450
Institutional	15,822	16,600	7,700	7,700
Constitutionally Dedicated Projects	177,484	182,263	205,767	205,767
All Other	107,638	86,307	123,976	123,976
<i>Total Capital Construction</i>	<u>1,106,110</u>	<u>1,091,220</u>	<u>1,274,893</u>	<u>1,274,893</u>
Debt Service—				
Principal	104,712	13,670	254,246	254,246
Interest	155,624	155,656	178,539	178,539
<i>Total Debt Service</i>	<u>260,336</u>	<u>169,326</u>	<u>432,785</u>	<u>432,785</u>
<i>Total General Fund</i>	<u>18,560,173</u>	<u>17,330,311</u>	<u>19,068,443</u>	<u>18,719,392</u>
Property Tax Relief Fund—				
Homestead Rebates	1,609,845	789,888	1,340,188	1,340,188
Educational	6,566,335	8,401,023	9,142,006	9,142,006
Payments to Municipalities	1,107,851	1,168,589	1,132,806	1,132,806
<i>Total Property Tax Relief Fund</i>	<u>9,284,031</u>	<u>10,359,500</u>	<u>11,615,000</u>	<u>11,615,000</u>
Casino Control Fund – Direct State Services—				
Enforcement	40,676	42,599	42,599	42,599
Administration	27,601	29,440	29,440	29,440
<i>Total Casino Control Fund – Direct State Services</i>	<u>68,277</u>	<u>72,039</u>	<u>72,039</u>	<u>72,039</u>
Casino Revenue Fund—				
Programs for Senior Citizens and the Disabled	643,060	500,941	468,087	468,087
<i>Total Casino Revenue Fund</i>	<u>643,060</u>	<u>500,941</u>	<u>468,087</u>	<u>468,087</u>
Gubernatorial Elections Fund – Grants–In–Aid—				
Public Financing of Gubernatorial General Election	6,310	2,525	—	—
<i>Total Gubernatorial Elections Fund – Grants–In–Aid</i>	<u>6,310</u>	<u>2,525</u>	<u>—</u>	<u>—</u>
GRAND TOTAL STATE APPROPRIATIONS	<u>28,561,851</u>	<u>28,265,316</u>	<u>31,223,569</u>	<u>30,874,518</u>

SUMMARIES OF APPROPRIATIONS

TABLE V
SUMMARY OF APPROPRIATIONS BY STATEWIDE PROGRAM
(thousands of dollars)

Table V shows detailed prior year financial data, current year appropriations, and budget year recommendations by fund, major spending category, and Statewide Program.

Orig. & (S)Supplemental	Year Ending June 30, 2005					2006 Adjusted Approp.	Year Ending June 30, 2007	
	Reapp. & (R)Recpts.	Transfers & (E)Emergencies	Total Available	Expended			Requested	Recommended
GENERAL FUND								
Direct State Services								
10. Public Safety and Criminal Justice								
					11. Vehicular Safety			
316,203	25,048	9,581	350,832	338,370	12. Law Enforcement	344,615	338,250	338,250
10,787	7,171	1,216	19,174	12,909	13. Special Law Enforcement Activities	10,556	8,667	8,667
17,891	2,306	460	20,657	19,064	14. Military Services	18,082	16,447	16,447
532,073	13,003	3,061	548,137	537,212	15. Judicial Services	571,750	571,750	571,750
809,126	854	14,523	824,503	821,775	16. Detention and Rehabilitation	854,841	850,496	850,496
55,473	701	1,401	57,575	57,550	17. Parole	64,617	62,221	62,221
91,362	41	2,533	93,936	93,931	18. Juvenile Services	98,381	97,025	97,025
32,127	35	5,564	37,726	35,558	19. Central Planning, Direction and Management	36,633	39,879	39,879
1,865,042	49,159	38,339	1,952,540	1,916,369	Total Appropriation	1,999,475	1,984,735	1,984,735
20. Physical and Mental Health								
49,878	2,562	3,750	56,190	55,757	21. Health Services	44,504	44,604	44,604
5,074	8,372	-5,641	7,805	7,550	22. Health Planning and Evaluation	3,874	8,444	8,444
256,913	997	30,778	288,688	287,695	23. Mental Health Services	268,737	264,015	264,015
23,345	8,514	3,609	35,468	31,369	24. Special Health Services	26,221	25,779	25,779
4,688	20	4,529	9,237	9,170	25. Health Administration	5,238	3,767	3,767
15,436	639	8,440	24,515	21,607	26. Senior Services	11,256	16,111	16,111
984	—	—	984	984	27. Disability Services	1,096	1,096	1,096
356,318	21,104	45,465	422,887	414,132	Total Appropriation	360,926	363,816	363,816
30. Educational, Cultural, and Intellectual Development								
266	—	14	280	280	31. Direct Educational Services and Assistance	284	284	284
237,565	358	-19,600	218,323	214,552	32. Operation and Support of Educational Institutions	220,503	97,705	97,705
8,612	733	-155	9,190	9,098	33. Supplemental Education and Training Programs	9,418	9,418	9,418
40,598	2,305	13,441	56,344	49,501	34. Educational Support Services	41,273	43,231	43,231
16,396	905	1,180	18,481	16,326	35. Education Administration and Management	17,396	14,997	14,997
3,659	304	112	4,075	3,941	36. Higher Educational Services	4,761	3,562	3,412
19,921	—	600	20,521	20,516	37. Cultural and Intellectual Development Services	14,837	21,616	13,639
327,017	4,605	-4,408	327,214	314,214	Total Appropriation	308,472	190,813	182,686
40. Community Development and Environmental Management								
22,552	35,279	-4,544	53,287	40,005	41. Community Development Management	25,235	24,810	24,810
61,788	1,869	8,558	72,215	70,102	42. Natural Resource Management	68,849	67,074	67,074
38,461	7,666	3,076	49,203	43,852	43. Science and Technical Programs	38,129	42,079	42,079
46,203	20,860	-221	66,842	60,322	44. Site Remediation and Waste Management	44,852	56,530	56,530
34,685	975	107	35,767	35,268	45. Environmental Regulation	36,930	35,360	35,360
19,520	46	1,379	20,945	20,889	46. Environmental Planning and Administration	20,330	17,997	17,997
17,856	2,799	2,282	22,937	22,113	47. Compliance and Enforcement	19,093	20,417	20,417
9,123	2,257	683	12,063	11,403	49. Agricultural Resources, Planning, and			
250,188	71,751	11,320	333,259	303,954	Total Appropriation	262,987	273,261	273,261

SUMMARIES OF APPROPRIATIONS

Year Ending June 30, 2005					Year Ending — June 30, 2007 —			
Orig. & (S)Supple- mental	Reapp. & (R)Recpts.	Transfers & (E)Emer- gencies	Total Available	Expended		2006 Adjusted Approp.	Requested	Recom- mended
					50. Economic Planning, Development, and Security			
4,347	32	273	4,652	4,493	51. Economic Planning and Development	4,688	4,266	4,266
90,644	12,395	678	103,717	90,192	52. Economic Regulation	94,909	93,839	93,839
65,424	23,303	—	88,727	80,526	53. Economic Assistance and Security	67,459	67,160	67,160
20,203	34,839	1,112	56,154	52,260	54. Manpower and Employment Services	21,229	21,006	21,006
234,056	21	33,009	267,086	266,559	55. Social Services Programs	194,769	287,934	287,934
414,674	70,590	35,072	520,336	494,030	Total Appropriation	383,054	474,205	474,205
					60. Transportation Programs			
104,804	5,957	2,359	113,120	112,449	61. State and Local Highway Facilities	98,347	82,138	82,138
5,484	40	592	6,116	6,064	64. Regulation and General Management	5,608	4,310	4,310
110,288	5,997	2,951	119,236	118,513	Total Appropriation	103,955	86,448	86,448
					70. Government Direction, Management, and Control			
58,771	7,686	1,332	67,789	60,670	71. Legislative Activities	60,952	60,952	60,952
20,232	24,847	-15,149	29,930	27,186	72. Governmental Review and Oversight	22,796	21,734	21,734
183,760	21,649	2,905	208,314	199,619	73. Financial Administration	172,210	187,681	187,681
1,953,806	85,109	-124,734	1,914,181	1,816,963	74. General Government Services	1,995,928	2,324,264	2,324,264
4,518	126	-660	3,984	3,923	75. State Subsidies and Financial Aid	4,053	4,053	4,053
35,402	3,096	23,162	61,660	59,677	76. Management and Administration	71,046	53,631	53,631
14,730	6,596	-39	21,287	14,357	77. Legislative Commissions and Committees	15,269	15,269	15,269
2,271,219	149,109	-113,183	2,307,145	2,182,395	Total Appropriation	2,342,254	2,667,584	2,667,584
					80. Special Government Services			
137,458	138,244	4,911	280,613	195,420	82. Protection of Citizens' Rights	148,054	150,870	150,870
63,990	1,988	1,284	67,262	65,153	83. Services to Veterans	70,198	69,964	69,964
201,448	140,232	6,195	347,875	260,573	Total Appropriation	218,252	220,834	220,834
5,796,194	512,547	21,751	6,330,492	6,004,180	<i>Total Direct State Services – General Fund</i>	5,979,375	6,261,696	6,253,569
					Grants-In-Aid			
					10. Public Safety and Criminal Justice			
565	—	—	565	265	12. Law Enforcement	565	2,315	2,315
35	—	—	35	35	14. Military Services	35	35	35
—	—	500	500	500	15. Judicial Services	—	—	—
83,605	1,579	1,950	87,134	87,134	16. Detention and Rehabilitation	103,105	96,873	96,873
29,994	640	—	30,634	29,484	17. Parole	35,278	36,278	36,278
18,743	—	81	18,824	18,824	18. Juvenile Services	20,612	19,064	19,064
132,942	2,219	2,531	137,692	136,242	Total Appropriation	159,595	154,565	154,565
					20. Physical and Mental Health			
175,986	2,035	7,283	185,304	177,312	21. Health Services	223,284	164,784	164,784
339,025	—	—	339,025	338,925	22. Health Planning and Evaluation	110,425	369,462	369,462
242,029	—	11,234	253,263	253,263	23. Mental Health Services	289,872	276,133	276,133
2,022,995	319,146	21,191	2,363,332	2,360,695	24. Special Health Services	2,254,839	2,184,242	2,184,242
970,421	24,769	-7,985	987,205	928,536	26. Senior Services	940,937	1,007,956	1,007,956
90,547	1,800	-4,140	88,207	88,149	27. Disability Services	103,283	98,700	98,700
3,841,003	347,750	27,583	4,216,336	4,146,880	Total Appropriation	3,922,640	4,101,277	4,101,277

SUMMARIES OF APPROPRIATIONS

Year Ending June 30, 2005					Year Ending June 30, 2007			
Orig. & (S) Supplemental	Reapp. & (R) Recpts.	Transfers & (E) Emergencies	Total Available	Expended		2006 Adjusted Approp.	Requested	Recommended
					30. Educational, Cultural, and Intellectual Development			
—	—	—	—	—	31. Direct Educational Services and Assistance	—	19,500	19,500
474,422	—	22,152	496,574	476,690	32. Operation and Support of Educational Institutions	471,484	492,526	492,526
4,178	—	48	4,226	4,223	33. Supplemental Education and Training Programs	4,235	4,242	4,242
25,544	—	396	25,940	25,277	34. Educational Support Services	18,129	22,313	22,313
1,228,836	21,689	29,034	1,279,559	1,240,501	36. Higher Educational Services	1,356,004	1,499,841	1,209,813
36,622	6	—	36,628	36,620	37. Cultural and Intellectual Development Services	37,952	28,500	28,500
<u>1,769,602</u>	<u>21,695</u>	<u>51,630</u>	<u>1,842,927</u>	<u>1,783,311</u>	Total Appropriation	<u>1,887,804</u>	<u>2,066,922</u>	<u>1,776,894</u>
					40. Community Development and Environmental Management			
31,150	6,420	5,559	43,129	25,937	41. Community Development Management	32,150	46,150	46,150
10,250	5,054	-4,167	11,137	11,073	42. Natural Resource Management	250	—	—
6,000	3,153	-1,813	7,340	2,418	43. Science and Technical Programs	500	11,400	11,400
—	—	—	—	—	45. Environmental Regulation	—	21,765	21,765
2,755	92	182	3,029	2,688	49. Agricultural Resources, Planning, and Regulation	1,575	5,025	5,025
<u>50,155</u>	<u>14,719</u>	<u>-239</u>	<u>64,635</u>	<u>42,116</u>	Total Appropriation	<u>34,475</u>	<u>84,340</u>	<u>84,340</u>
					50. Economic Planning, Development, and Security			
33,351	93	2,767	36,211	26,986	51. Economic Planning and Development	36,694	185,994	185,994
70,840	—	—	70,840	65,788	52. Economic Regulation	79,840	70,840	70,840
245,787	14,326	329	260,442	244,887	53. Economic Assistance and Security	248,574	257,991	257,991
43,163	—	341	43,504	39,504	54. Manpower and Employment Services	44,842	51,842	51,842
469,288	768	22,941	492,997	484,682	55. Social Services Programs	619,424	729,324	729,324
<u>862,429</u>	<u>15,187</u>	<u>26,378</u>	<u>903,994</u>	<u>861,847</u>	Total Appropriation	<u>1,029,374</u>	<u>1,295,991</u>	<u>1,295,991</u>
					60. Transportation Programs			
278,700	—	—	278,700	278,700	62. Public Transportation	273,700	300,700	300,700
—	1,655	45	1,700	91	64. Regulation and General Management	—	—	—
<u>278,700</u>	<u>1,655</u>	<u>45</u>	<u>280,400</u>	<u>278,791</u>	Total Appropriation	<u>273,700</u>	<u>300,700</u>	<u>300,700</u>
					70. Government Direction, Management, and Control			
857,579	1,917	-47,177	812,319	769,149	74. General Government Services	838,546	830,699	830,699
10,000	2,975	3,788	16,763	13,675	75. State Subsidies and Financial Aid	—	—	—
82,375	—	-55,190	27,185	14,209	76. Management and Administration	1,071	724	724
<u>949,954</u>	<u>4,892</u>	<u>-98,579</u>	<u>856,267</u>	<u>797,033</u>	Total Appropriation	<u>839,617</u>	<u>831,423</u>	<u>831,423</u>
					80. Special Government Services			
16,400	—	—	16,400	16,400	82. Protection of Citizens' Rights	16,400	16,400	16,400
1,009	62	1	1,072	1,038	83. Services to Veterans	1,509	1,509	1,509
<u>17,409</u>	<u>62</u>	<u>1</u>	<u>17,472</u>	<u>17,438</u>	Total Appropriation	<u>17,909</u>	<u>17,909</u>	<u>17,909</u>
<u>7,902,194</u>	<u>408,179</u>	<u>9,350</u>	<u>8,319,723</u>	<u>8,063,658</u>	<i>Total Grants-In-Aid – General Fund</i>	<u>8,165,114</u>	<u>8,853,127</u>	<u>8,563,099</u>

SUMMARIES OF APPROPRIATIONS

Orig. & (S)Supple- mental	Year Ending June 30, 2005				2006 Adjusted Approp.	Year Ending — June 30, 2007 —	
	Reapp. & (R)Recpts.	Transfers & (E)Emer- gencies	Total Available	Expended		Requested	Recom- mended
11,090	10,748	-1,671	20,167	5,429			
3,730	236	3,300	7,266	7,024			
—	—	—	—	—			
14,820	10,984	1,629	27,433	12,453			
2,400	—	—	2,400	2,161			
93,510	5,934	—	99,444	99,444			
7,108	—	—	7,108	7,108			
103,018	5,934	—	108,952	108,713			
773,500	779	-1,113	773,166	768,979			
4,860	—	—	4,860	4,860			
1,607,489	4,794	-92,802	1,519,481	1,517,564			
184,075	—	-783	183,292	183,061			
16,827	—	—	16,827	16,598			
2,586,751	5,573	-94,698	2,497,626	2,491,062			
16,925	23,750	-23,750	16,925	16,925			
2,300	—	—	2,300	2,218			
6,454	27	150	6,631	6,491			
3,453	5	—	3,458	3,453			
11,085	331	-48	11,368	10,345			
40,217	24,113	-23,648	40,682	39,432			
265,057	3,080	833	268,970	268,349			
1,624	—	—	1,624	1,624			
12,000	—	—	12,000	12,000			
278,681	3,080	833	282,594	281,973			
209,410	10,279	5,530	225,219	192,256			
209,410	10,279	5,530	225,219	192,256			
3,232,897	59,963	-110,354	3,182,506	3,125,889			
State Aid							
10. Public Safety and Criminal Justice							
					1,000	1,000	1,000
					7,030	7,030	7,030
					—	20,000	20,000
					8,030	28,030	28,030
20. Physical and Mental Health							
					2,400	2,400	2,400
					104,575	116,575	116,575
					7,152	7,152	7,152
					114,127	126,127	126,127
30. Educational, Cultural, and Intellectual Development							
					322,337	553,491	553,491
					4,860	4,860	4,860
					656,722	724,463	724,463
					181,023	203,824	172,568
					18,537	38,160	18,520
					1,183,479	1,524,798	1,473,902
40. Community Development and Environmental Management							
					16,925	16,925	16,925
					—	—	—
					6,769	7,613	7,613
					3,453	3,453	3,453
					11,727	11,727	11,727
					38,874	39,718	39,718
50. Economic Planning, Development, and Security							
					352,304	299,548	299,548
					1,522	1,522	1,522
					12,000	12,000	12,000
					365,826	313,070	313,070
70. Government Direction, Management, and Control							
					214,940	214,199	214,199
					214,940	214,199	214,199
					1,925,276	2,245,942	2,195,046

SUMMARIES OF APPROPRIATIONS

Year Ending June 30, 2005					Year Ending June 30, 2007			
Orig. & (S)Supple- mental	Reapp. & (R)Recpts.	Transfers & (E)Emer- gencies	Total Available	Expended		2006 Adjusted Approp.	Requested	Recom- mended
					Capital Construction			
					10. Public Safety and Criminal Justice			
—	—	—	—	—	11. Vehicular Safety	—	—	—
—	9,870	—	9,870	5,691	12. Law Enforcement	4,055	—	—
2,627	612	505	3,744	962	14. Military Services	175	590	590
500	305	-3	802	267	16. Detention and Rehabilitation	—	—	—
—	8,376	3,000	11,376	5,099	18. Juvenile Services	750	1,500	1,500
—	6,054	3	6,057	1,443	19. Central Planning, Direction and Management	5,000	—	—
3,127	25,217	3,505	31,849	13,462	Total Appropriation	9,980	2,090	2,090
					20. Physical and Mental Health			
—	741	—	741	327	21. Health Services	—	—	—
—	8,072	—	8,072	1,419	23. Mental Health Services	—	—	—
—	11	—	11	—	25. Health Administration	—	—	—
—	8,824	—	8,824	1,746	Total Appropriation	—	—	—
					30. Educational, Cultural, and Intellectual Development			
—	3,295	—	3,295	704	32. Operation and Support of Educational Institutions	—	1,950	1,950
—	1,045	—	1,045	494	33. Supplemental Education and Training Programs	—	—	—
—	388	—	388	118	35. Education Administration and Management	1,050	500	500
—	9	—	9	—	36. Higher Educational Services	—	—	—
1,000	48	300	1,348	964	37. Cultural and Intellectual Development Services	—	—	—
1,000	4,785	300	6,085	2,280	Total Appropriation	1,050	2,450	2,450
					40. Community Development and Environmental Management			
36,233	27,708	-4,470	59,471	25,478	42. Natural Resource Management	29,106	70,555	70,555
—	2	—	2	—	43. Science and Technical Programs	—	—	—
80,220	72,549	-5,260	147,509	64,359	44. Site Remediation and Waste Management	55,157	77,212	77,212
—	3	—	3	—	45. Environmental Regulation	—	—	—
—	13	—	13	—	46. Environmental Planning and Administration	—	—	—
—	1,142	—	1,142	150	49. Agricultural Resources, Planning, and Regulation	—	250	250
116,453	101,417	-9,730	208,140	89,987	Total Appropriation	84,263	148,017	148,017
					50. Economic Planning, Development, and Security			
—	1	—	1	—	52. Economic Regulation	—	—	—
—	—	—	—	—	55. Social Services Programs	—	10,000	10,000
—	1	—	1	—	Total Appropriation	—	10,000	10,000
					60. Transportation Programs			
805,000	—	—	805,000	805,000	61. State and Local Highway Facilities	805,000	895,000	895,000
805,000	—	—	805,000	805,000	Total Appropriation	805,000	895,000	895,000

SUMMARIES OF APPROPRIATIONS

Orig. & (S)Supplemental	Year Ending June 30, 2005				2006 Adjusted Approp.	Year Ending June 30, 2007	
	Reapp. & (R)Recpts.	Transfers & (E)Emergencies	Total Available	Expended		Requested	Recommended
70. Government Direction, Management, and Control							
—	2,363	—	2,363	2,190	—	—	—
168,653	39,742	23,596	231,991	179,721	179,327	207,636	207,636
10,400	6,873	—	17,273	11,543	11,600	7,700	7,700
179,053	48,978	23,596	251,627	193,454	190,927	215,336	215,336
80. Special Government Services							
—	200	—	200	181	—	2,000	2,000
—	200	—	200	181	—	2,000	2,000
1,104,633	189,422	17,671	1,311,726	1,106,110	1,091,220	1,274,893	1,274,893
Debt Service							
40. Community Development and Environmental Management							
37,660	—	3,577	41,237	39,715	24,675	64,664	64,664
37,660	—	3,577	41,237	39,715	24,675	64,664	64,664
70. Government Direction, Management, and Control							
232,519	—	-11,728	220,791	220,621	144,651	368,121	368,121
232,519	—	-11,728	220,791	220,621	144,651	368,121	368,121
270,179	—	-8,151	262,028	260,336	169,326	432,785	432,785
18,306,097	1,170,111	-69,733	19,406,475	18,560,173	17,330,311	19,068,443	18,719,392
PROPERTY TAX RELIEF FUND							
Grants-In-Aid							
70. Government Direction, Management, and Control							
2,162,711	24	—	2,162,735	1,609,845	789,888	1,340,188	1,340,188
2,162,711	24	—	2,162,735	1,609,845	789,888	1,340,188	1,340,188
2,162,711	24	—	2,162,735	1,609,845	789,888	1,340,188	1,340,188
State Aid							
30. Educational, Cultural, and Intellectual Development							
6,149,196	5,741	75,388	6,230,325	6,219,149	6,806,645	6,679,796	6,679,796
38,948	—	—	38,948	38,948	38,948	38,948	38,948
308,242	—	—	308,242	308,238	1,555,430	2,423,262	2,423,262
28,045	—	-2,839	25,206	25,206	28,556	27,500	27,500
6,524,431	5,741	72,549	6,602,721	6,591,541	8,429,579	9,169,506	9,169,506

SUMMARIES OF APPROPRIATIONS

Year Ending June 30, 2005					Year Ending June 30, 2007			
Orig. & (S) Supplemental	Reapp. & (R) Recpts.	Transfers & (E) Emergencies	Total Available	Expended		2006 Adjusted Approp.	Requested	Recommended
8,500	—	—	8,500	8,457	40. Community Development and Environmental Management			
8,500	—	—	8,500	8,457	46. Environmental Planning and Administration	9,000	9,500	9,500
					Total Appropriation	9,000	9,500	9,500
					70. Government Direction, Management, and Control			
1,065,858	—	12,145	1,078,003	1,074,188	75. State Subsidies and Financial Aid	1,131,033	1,095,806	1,095,806
1,065,858	—	12,145	1,078,003	1,074,188	Total Appropriation	1,131,033	1,095,806	1,095,806
7,598,789	5,741	84,694	7,689,224	7,674,186	<i>Total State Aid – Property Tax Relief Fund</i>	9,569,612	10,274,812	10,274,812
9,761,500	5,765	84,694	9,851,959	9,284,031	Total Property Tax Relief Fund	10,359,500	11,615,000	11,615,000
					CASINO CONTROL FUND			
					Direct State Services			
					10. Public Safety and Criminal Justice			
40,599	178	—	40,777	40,676	12. Law Enforcement	42,599	42,599	42,599
40,599	178	—	40,777	40,676	Total Appropriation	42,599	42,599	42,599
					70. Government Direction, Management, and Control			
27,901	778	—	28,679	27,601	73. Financial Administration	29,440	29,440	29,440
27,901	778	—	28,679	27,601	Total Appropriation	29,440	29,440	29,440
68,500	956	—	69,456	68,277	<i>Total Direct State Services – Casino Control Fund</i>	72,039	72,039	72,039
68,500	956	—	69,456	68,277	Total Casino Control Fund	72,039	72,039	72,039
					CASINO REVENUE FUND			
					Direct State Services			
					20. Physical and Mental Health			
871	31	128	1,030	979	26. Senior Services	871	871	871
871	31	128	1,030	979	Total Appropriation	871	871	871
					80. Special Government Services			
92	—	—	92	92	82. Protection of Citizens' Rights	92	92	92
92	—	—	92	92	Total Appropriation	92	92	92
963	31	128	1,122	1,071	<i>Total Direct State Services – Casino Revenue Fund</i>	963	963	963
					Grants-In-Aid			
					20. Physical and Mental Health			
500	—	—	500	497	21. Health Services	529	529	529
351,909	143,565	-128	495,346	495,138	26. Senior Services	349,813	316,381	316,381
80,328	—	—	80,328	80,328	27. Disability Services	80,328	80,328	80,328
432,737	143,565	-128	576,174	575,963	Total Appropriation	430,670	397,238	397,238

SUMMARIES OF APPROPRIATIONS

Year Ending June 30, 2005					Year Ending — June 30, 2007 —			
Orig. & (S)Supple- mental	Reapp. & (R)Recpts.	Transfers & (E)Emer- gencies	Total Available	Expended		2006 Adjusted Approp.	Requested	Recom- mended
38,409	—	—	38,409	38,299	30. Educational, Cultural, and Intellectual Development			
38,409	—	—	38,409	38,299	32. Operation and Support of Educational Institutions	32,516	32,516	32,516
					Total Appropriation	32,516	32,516	32,516
					50. Economic Planning, Development, and Security			
2,440	—	—	2,440	2,440	54. Manpower and Employment Services	2,440	2,440	2,440
2,440	—	—	2,440	2,440	Total Appropriation	2,440	2,440	2,440
473,586	143,565	-128	617,023	616,702	<i>Total Grants-In-Aid – Casino Revenue Fund</i>	465,626	432,194	432,194
					State Aid			
					60. Transportation Programs			
25,287	—	—	25,287	25,287	62. Public Transportation	34,352	34,930	34,930
25,287	—	—	25,287	25,287	Total Appropriation	34,352	34,930	34,930
25,287	—	—	25,287	25,287	<i>Total State Aid – Casino Revenue Fund</i>	34,352	34,930	34,930
499,836	143,596	—	643,432	643,060	<i>Total Casino Revenue Fund</i>	500,941	468,087	468,087
					GUBERNATORIAL ELECTIONS FUND – Grants-In-Aid			
					10. Public Safety and Criminal Justice			
8,870	—	—	8,870	6,310	13. Special Law Enforcement Activities	2,525	—	—
8,870	—	—	8,870	6,310	Total Appropriation	2,525	—	—
8,870	—	—	8,870	6,310	<i>Total Grants-In-Aid – Gubernatorial Elections Fund</i>	2,525	—	—
8,870	—	—	8,870	6,310	<i>Total Gubernatorial Election Fund</i>	2,525	—	—
28,644,803	1,320,428	14,961	29,980,192	28,561,851	GRAND TOTAL STATE APPROPRIATIONS	28,265,316	31,223,569	30,874,518

SUMMARIES OF APPROPRIATIONS

DEDICATED FUNDS

Summary of Appropriations by Department (thousands of dollars)

Year Ending June 30, 2005					Year Ending June 30, 2007			
Orig. & (S)Supplemental	Reapp. & (R)Recpts.	Transfers & (E)Emergencies	Total Available	Expended	2006 Adjusted Approp.	Requested	Recommended	
PROPERTY TAX RELIEF FUND								
Grants-In-Aid								
Department of the Treasury								
2,162,711	24	—	2,162,735	1,609,845	Homestead Exemptions	789,888	1,340,188	1,340,188
<u>2,162,711</u>	<u>24</u>	<u>—</u>	<u>2,162,735</u>	<u>1,609,845</u>	<i>Total Department of the Treasury</i>	<u>789,888</u>	<u>1,340,188</u>	<u>1,340,188</u>
<u>2,162,711</u>	<u>24</u>	<u>—</u>	<u>2,162,735</u>	<u>1,609,845</u>	<i>Total Grants-In-Aid – Property Tax Relief Fund</i>	<u>789,888</u>	<u>1,340,188</u>	<u>1,340,188</u>
State Aid								
Department of Community Affairs								
929,569	—	17,267	946,836	944,322	Local Government Services	992,569	965,172	965,172
<u>929,569</u>	<u>—</u>	<u>17,267</u>	<u>946,836</u>	<u>944,322</u>	<i>Total Department of Community Affairs</i>	<u>992,569</u>	<u>965,172</u>	<u>965,172</u>
Department of Education								
4,914,195	5,741	69,788	4,989,724	4,978,600	General Formula Aid	5,559,906	5,434,107	5,434,107
73,491	—	5,600	79,091	79,039	Miscellaneous Grants-In-Aid	85,229	84,179	84,179
65,578	—	—	65,578	65,578	Bilingual Education	65,578	65,578	65,578
199,512	—	—	199,512	199,512	Programs for Disadvantaged Youths	199,512	199,512	199,512
896,420	—	—	896,420	896,420	Special Education	896,420	896,420	896,420
38,948	—	—	38,948	38,948	General Vocational Education	38,948	38,948	38,948
—	—	—	—	—	Office of School Choice	—	—	—
307,287	—	—	307,287	307,283	Pupil Transportation	309,787	309,787	309,787
955	—	—	955	955	Facilities Planning and School Building Aid	775	23	23
—	—	—	—	—	Teachers' Pension and Annuity Assistance	1,244,868	2,113,452	2,113,452
<u>6,496,386</u>	<u>5,741</u>	<u>75,388</u>	<u>6,577,515</u>	<u>6,566,335</u>	<i>Total Department of Education</i>	<u>8,401,023</u>	<u>9,142,006</u>	<u>9,142,006</u>
Department of Environmental Protection								
8,500	—	—	8,500	8,457	Administration and Support Services	9,000	9,500	9,500
<u>8,500</u>	<u>—</u>	<u>—</u>	<u>8,500</u>	<u>8,457</u>	<i>Total Department of Environmental Protection</i>	<u>9,000</u>	<u>9,500</u>	<u>9,500</u>
Department of the Treasury								
109,000	—	-5,122	103,878	103,878	Reimbursement of Senior/ Disabled Citizens' and Veterans' Tax Deductions	109,000	99,100	99,100
27,289	—	—	27,289	25,988	Consolidated Police and Firemen's Pension Fund	29,464	31,534	31,534
28,045	—	-2,839	25,206	25,206	Aid to County Colleges	28,556	27,500	27,500
<u>164,334</u>	<u>—</u>	<u>-7,961</u>	<u>156,373</u>	<u>155,072</u>	<i>Total Department of the Treasury</i>	<u>167,020</u>	<u>158,134</u>	<u>158,134</u>
<u>7,598,789</u>	<u>5,741</u>	<u>84,694</u>	<u>7,689,224</u>	<u>7,674,186</u>	<i>Total State Aid – Property Tax Relief Fund</i>	<u>9,569,612</u>	<u>10,274,812</u>	<u>10,274,812</u>
<u>9,761,500</u>	<u>5,765</u>	<u>84,694</u>	<u>9,851,959</u>	<u>9,284,031</u>	<i>Total Property Tax Relief Fund</i>	<u>10,359,500</u>	<u>11,615,000</u>	<u>11,615,000</u>

SUMMARIES OF APPROPRIATIONS

Orig. & (S)Supple- mental	Year Ending June 30, 2005				2006 Adjusted Approp.	Year Ending — June 30, 2007 —		
	Reapp. & (R)Recpts.	Transfers & (E)Emer- gencies	Total Available	Expended		Requested	Recom- mended	
CASINO CONTROL FUND								
Direct State Services								
Department of Law and Public Safety								
40,599	178	—	40,777	40,676	Gaming Enforcement	42,599	42,599	42,599
<u>40,599</u>	<u>178</u>	<u>—</u>	<u>40,777</u>	<u>40,676</u>	<i>Total Department of Law and Public Safety</i>	<u>42,599</u>	<u>42,599</u>	<u>42,599</u>
Department of the Treasury								
27,901	778	—	28,679	27,601	Administration of Casino Gambling	29,440	29,440	29,440
<u>27,901</u>	<u>778</u>	<u>—</u>	<u>28,679</u>	<u>27,601</u>	<i>Total Department of the Treasury</i>	<u>29,440</u>	<u>29,440</u>	<u>29,440</u>
68,500	956	—	69,456	68,277	<i>Total Direct State Services – Casino Control Fund</i>	<u>72,039</u>	<u>72,039</u>	<u>72,039</u>
<u>68,500</u>	<u>956</u>	<u>—</u>	<u>69,456</u>	<u>68,277</u>	Total Casino Control Fund	72,039	72,039	72,039
CASINO REVENUE FUND								
Direct State Services								
Department of Health and Senior Services								
871	31	128	1,030	979	Programs for the Aged	871	871	871
<u>871</u>	<u>31</u>	<u>128</u>	<u>1,030</u>	<u>979</u>	<i>Total Department of Health and Senior Services</i>	<u>871</u>	<u>871</u>	<u>871</u>
Department of Law and Public Safety								
92	—	—	92	92	Operation of State Professional Boards	92	92	92
<u>92</u>	<u>—</u>	<u>—</u>	<u>92</u>	<u>92</u>	<i>Total Department of Law and Public Safety</i>	<u>92</u>	<u>92</u>	<u>92</u>
963	31	128	1,122	1,071	<i>Total Direct State Services – Casino Revenue Fund</i>	<u>963</u>	<u>963</u>	<u>963</u>
Grants-In-Aid								
Department of Health and Senior Services								
500	—	—	500	497	Family Health Services	529	529	529
28,461	—	—	28,461	28,334	Medical Services for the Aged	30,531	30,629	30,629
309,086	143,565	—	452,651	452,570	Pharmaceutical Assistance to the Aged and Disabled	304,398	271,075	271,075
—	—	—	—	—	Lifeline	—	—	—
14,362	—	-128	14,234	14,234	Programs for the Aged	14,884	14,677	14,677
<u>352,409</u>	<u>143,565</u>	<u>-128</u>	<u>495,846</u>	<u>495,635</u>	<i>Total Department of Health and Senior Services</i>	<u>350,342</u>	<u>316,910</u>	<u>316,910</u>
Department of Human Services								
28,827	—	—	28,827	28,717	Purchased Residential Care	22,934	22,934	22,934
2,208	—	—	2,208	2,208	Social Supervision and Consultation	2,208	2,208	2,208
7,374	—	—	7,374	7,374	Adult Activities	7,374	7,374	7,374
80,328	—	—	80,328	80,328	Division of Disabilities Services	80,328	80,328	80,328
<u>118,737</u>	<u>—</u>	<u>—</u>	<u>118,737</u>	<u>118,627</u>	<i>Total Department of Human Services</i>	<u>112,844</u>	<u>112,844</u>	<u>112,844</u>

SUMMARIES OF APPROPRIATIONS

Year Ending June 30, 2005					Year Ending June 30, 2007		
Orig. & (S)Supple- mental	Reapp. & (R)Recpts.	Transfers & (E)Emer- gencies	Total Available	Expended	2006 Adjusted Approp.	Requested	Recom- mended
2,440	—	—	2,440	2,440	Department of Labor and Workforce Development		
					2,440	2,440	2,440
2,440	—	—	2,440	2,440	<i>Total Department of Labor and Workforce Development</i>		
					2,440	2,440	2,440
473,586	143,565	-128	617,023	616,702	<i>Total Grants-In-Aid – Casino Revenue Fund</i>		
					465,626	432,194	432,194
					State Aid		
					Department of Transportation		
25,287	—	—	25,287	25,287	34,352	34,930	34,930
					Railroad and Bus Operations		
25,287	—	—	25,287	25,287	<i>Total Department of Transportation</i>		
					34,352	34,930	34,930
25,287	—	—	25,287	25,287	<i>Total State Aid –</i>		
					<i>Casino Revenue Fund</i>		
					34,352	34,930	34,930
499,836	143,596	—	643,432	643,060	<i>Total Casino Revenue Fund</i>		
					500,941	468,087	468,087
					GUBERNATORIAL ELECTIONS FUND		
					Grants-In-Aid		
					Department of Law and Public Safety		
8,870	—	—	8,870	6,310	2,525	—	—
					Election Law Enforcement		
8,870	—	—	8,870	6,310	<i>Total Department of Law and Public Safety</i>		
					2,525	—	—
8,870	—	—	8,870	6,310	<i>Total Grants-In-Aid –</i>		
					<i>Gubernatorial Elections Fund</i>		
					2,525	—	—
8,870	—	—	8,870	6,310	<i>Total Gubernatorial Elections Fund</i>		
					2,525	—	—
10,338,706	150,317	84,694	10,573,717	10,001,678	<i>Total Appropriation</i>		
					10,935,005	12,155,126	12,155,126

SUMMARIES OF APPROPRIATIONS

SUMMARY OF APPROPRIATIONS MAJOR INCREASES AND DECREASES

This table summarizes the major increases and decreases in the Fiscal 2007 Budget and is organized by category.

Categories of recommended appropriations are defined as follows:

State Operations consists of programs and services operated directly by the State government. The largest single component is for the salary and benefits of State employees. This portion of the Budget is subject to the spending limitations imposed by the Cap Law.

Grants-in-Aid appropriations are for programs and services provided to the public on behalf of the State by a third party provider, or grants made directly to individuals based on assorted program eligibility criteria. The Medicaid program, Tuition Assistance Grant Program, Homestead Rebates, payments for State inmates housed in county jails, and funding for New Jersey Transit and State colleges and universities fall into this category.

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

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

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

APPROPRIATIONS MAJOR INCREASES AND DECREASES (\$ In Millions)

	<u>Increases</u>	<u>Decreases</u>	<u>Net Change</u>
State Operations			
Pension - State Employees	\$ 287.695		
Salary Increase - State Employees	199.950		
State Active and Retiree Employee Health Benefits	54.150		
Child Welfare Reform	50.364		
Fuel/Utilities/Rent	28.102		
Division of Taxation - Data Mining and Enhancements	22.800		
Enhanced Mental Health Hospital Staffing	6.752		
Workers' Compensation/Tort Claims	6.700		
CBT Dedication	5.010		
Pharmaceutical Assistance to the Aged and Disabled (PAAD)	4.855		
Student Proficiency Testing	4.500		
Debt Service	3.925		
Emergency Operations Center - Operating Expenses	3.466		
Public Advocate Administration	3.200		
Gang Violence - Project Phoenix	0.250		
Other (Net)	<u>8.889</u>		
Subtotal - State Operations Increases	<u>\$ 690.608</u>		

SUMMARIES OF APPROPRIATIONS

APPROPRIATIONS MAJOR INCREASES AND DECREASES (\$ In Millions)

	<u>Increases</u>	<u>Decreases</u>	<u>Net Change</u>
Human Services Shift to Federal Resources		\$ (117.687)	
Reduce Prescription Fund Balance		(60.000)	
Management Efficiencies		(50.000)	
Division of Pensions/Pension Fund		(33.482)	
Mandatory Pharmacy Mail - Order and Generics - State Employees		(20.000)	
Bulk Purchasing - State Health Benefits		(16.500)	
Unclassified Employees Reduction		(14.000)	
Fringe Savings Staffing Reduction		(13.600)	
Department of Treasury Efficiencies		(13.249)	
Department of Law and Public Safety Efficiencies		(12.874)	
Snow Removal - Winter Operations		(10.000)	
Increased Health Benefits Cost Sharing		(7.661)	
Department of Transportation Efficiencies		(7.507)	
Department of Corrections Efficiencies		(6.586)	
Pharmacy Management		(4.800)	
Employer Taxes		(3.059)	
Duplicative Sick Leave Injury		(3.000)	
Department of Environmental Protection Efficiencies		(2.872)	
Department of Human Services Efficiencies		(2.827)	
Pension Reform		(2.510)	
Department of Health and Senior Services Efficiencies		(2.274)	
Department of Education Efficiencies		(2.077)	
Department of Banking and Insurance Efficiencies		(1.868)	
Paying Communities Back - Inmates		(1.610)	
Elections Pilot		(1.500)	
Department of Personnel Efficiencies		(1.473)	
Student Registration and Record System		(1.364)	
Higher Education Student Assistance Authority Efficiencies		(1.349)	
New Jersey Network Efficiencies		(1.123)	
Department of Community Affairs Efficiencies		(0.897)	
Reduction of Governor's Contingency Funds		(0.875)	
Reduction of Contingency Funds		(0.625)	
Governor's Transition Funding		(0.600)	
Department of Agriculture Efficiencies		(0.575)	
Department of Military and Veterans Affairs Efficiencies		(0.529)	
Chief Executive Reduction		(0.259)	
Reduce Cultural Programs - Staffing		(0.250)	
Palisades Interstate Park Commission Efficiencies		(0.150)	
ELEC Efficiencies		<u>(0.119)</u>	
<i>Subtotal - State Operations Decreases</i>		\$ (421.731)	
<i>Net Change (State Operations)</i>			<u>\$ 268.877</u>
Grants-In-Aid			
Homestead Rebate	\$ 529.800		
Medicaid/General Assistance Health Care	312.019		
Charity Care - Replace Unemployment Insurance Diversion	300.000		
Business Employment Incentive Program	169.667		
Child Welfare Reform	64.611		
Pharmaceutical Assistance to the Aged and Disabled (PAAD)	47.680		

SUMMARIES OF APPROPRIATIONS

APPROPRIATIONS MAJOR INCREASES AND DECREASES (\$ In Millions)

	<u>Increases</u>	<u>Decreases</u>	<u>Net Change</u>
Nursing Homes and Alternatives	46.017		
NJ Transit Operating Subsidy	27.000		
CBT Dedication	26.765		
TANF Work Activities and Case Management	21.000		
Senior/Disabled Citizens' Property Tax Freeze	20.500		
Special Education & Autism Grants	19.500		
Higher Education Capital Improvement Program Debt Service	15.046		
Abbott Expansion Carryforward Restoration	12.000		
DDD Placements Annualized	11.100		
State Rental Assistance Program	10.000		
Mental Health Community Placements	10.000		
Annualize FY06 Third Party Provider COLA	9.603		
New Jersey After 3	7.500		
Debt Service	6.091		
Water Resource Interconnection Projects	6.000		
Tuition Aid Grants	5.821		
Family Care Child Outreach Expansion	5.000		
Capital Improvements for Homeless Shelters	5.000		
Capital Improvements for Child Advocacy Centers	5.000		
Food Assistance Program	3.000		
Capital Improvements for Group Homes	3.000		
Family Planning Services Expansion	2.000		
Capital Improvements for Substance Abuse Treatment and Recovery Centers	2.000		
Capital Improvements for Women's Shelters	1.500		
Halfway Back Program	1.000		
Addressing Violence Against Women	1.000		
Capital Improvements for Storing Food for Food Banks	1.000		
Gang Violence - Operation Ceasefire	0.750		
Capital Improvements for Rape Care Centers	0.500		
Part-Time TAG for County Colleges	0.490		
<i>Subtotal - Grants-In-Aid Increases</i>	<u>\$ 1,708.960</u>		
Hospital Provider Assessment		\$ (215.000)	
Reduce Operating Support to Senior Public Colleges and Universities		(89.568)	
Hospital Assistance Grants		(69.200)	
Enhanced Medicaid Anti-Fraud Initiative		(50.000)	
Bulk Purchasing - Medicaid/PAAD		(44.000)	
Property Tax Assistance and Community Development Grants		(40.000)	
Implement Co-Payment After School/Summer Child Care Abbott Districts		(30.000)	
One-Time Funding UMDNJ		(28.000)	
Nursing Home/Medical Day Care Rates - No Inflation		(26.000)	
Reduction to Cancer Hospital Building Grants		(23.300)	
Rutgers - One Time Grant		(18.000)	
Pharmaceutical Procurement		(17.105)	
Increase Federal Lookback Period for Nursing Home Eligibility from 3 to 5 Years		(15.000)	
Enroll Institutional Medicare-Only Clients into Medicare Part D		(14.900)	
Shift General Assistance Recipients to Medicaid		(14.100)	
Energy Assistance Programs		(13.000)	
Institute Co-Payments for Medicaid Pharmaceuticals		(13.000)	
Aid to Independent Colleges and Universities		(11.981)	
Prior Authorization of Psychotropics		(8.750)	

SUMMARIES OF APPROPRIATIONS

APPROPRIATIONS MAJOR INCREASES AND DECREASES (\$ In Millions)

	<u>Increases</u>	<u>Decreases</u>	<u>Net Change</u>
Partial Hospitalization Rate Reduction		(7.500)	
County Jail Placement Trend		(6.232)	
Tuition Policy for Out-of-State Undergraduate Students		(5.685)	
Outstanding Scholars Recruitment Program		(4.303)	
Heldrich Center for Workforce Development		(4.000)	
Higher Education Incentive Endowment Fund		(3.000)	
Grant for Stroke Centers		(3.000)	
Early Intervention Program (EIP) - Co-payment Increase		(3.000)	
Science and Technology Reduction		(2.700)	
Newark Museum		(2.500)	
Cultural Projects Grants		(2.268)	
Reduce Special Welfare Initiatives		(2.000)	
Governor's School		(1.929)	
Office of Faith-Based Initiatives Grants		(1.500)	
Battleship New Jersey Museum		(1.500)	
Social Promotion Initiative		(1.500)	
Boys and Girls Clubs of New Jersey		(1.500)	
Veterinary Medical Education Program		(1.337)	
Pharmacy Management		(1.300)	
Tourette Syndrome Association of NJ		(1.250)	
Contracted Day Reporting Programs		(1.200)	
Co-Payments on Hospital Visits - Medicaid		(1.100)	
Supported Employment Excess Capacity		(1.044)	
Public Financing of the Gubernatorial Primary and General Election		(1.025)	
Liberty Science Center - Educational Services		(1.000)	
Lead Testing Kits		(1.000)	
Reduce AIDS Grants		(1.000)	
Stevens Institute of Technology - New Jersey Community College Strategic Partnership		(1.000)	
Health Care Initiatives and Networking Technology (HINT) Program		(1.000)	
Paper Mill Playhouse		(1.000)	
Automated External Defibrillator Grant Program		(1.000)	
Larc School - Bellmawr		(1.000)	
Big Brothers/Big Sisters		(0.750)	
Teaching Positions at Kean		(0.750)	
Arthritis Quality of Life Initiative		(0.642)	
Competitively Bid Transportation and Durable Medical Equipment - Medicaid		(0.630)	
Ellis Island New Jersey Foundation		(0.600)	
Rutgers - Gubernatorial Papers Project		(0.500)	
Thomas Edison Museum		(0.500)	
Bloomfield College - Science Laboratory		(0.500)	
Celeste Foundation Early Intervention of Autism Research Project		(0.500)	
Atlantic Health Care Patient ID System		(0.500)	
Rutgers - Camden Performing Arts Center		(0.450)	
Grant to ASPIRA		(0.400)	
Integrity, Inc.		(0.400)	
Reduce Historical Commission Agency Grants		(0.384)	
United Way 2-1-1 System		(0.350)	
Soil & Water Grants		(0.300)	
High Enrollment Growth Adjustment at Edison		(0.300)	
Waterloo Village		(0.250)	
Weehawken Arts		(0.250)	

SUMMARIES OF APPROPRIATIONS

APPROPRIATIONS MAJOR INCREASES AND DECREASES (\$ In Millions)

	<u>Increases</u>	<u>Decreases</u>	<u>Net Change</u>
Agriculture & Natural Resources - Conservation Assistance Program		(0.250)	
Grant to St. Barnabas Medical Center		(0.250)	
Governor's Literacy Initiative - Returning Coaches		(0.225)	
Respite Care for the Elderly		(0.207)	
AIDS Drug Distribution Program (ADDP) \$2 Co-pay		(0.200)	
Other (Net)		(2.081)	
<i>Subtotal - Grants-In-Aid Decreases</i>		<u>\$ (823.446)</u>	
<i>Net Change (Grants-In-Aid)</i>			<u>\$ 885.514</u>
State Aid			
Teachers' Pension and Annuity Fund	\$ 744.117		
School Construction and Renovation Fund	115.946		
Education Opportunity Aid (Abbott Districts)	92.000		
Post-Retirement Medical - Teachers' Pension and Annuity Fund	54.358		
Abbott Preschool Expansion Aid	39.000		
Local School Districts Teacher Social Security Payments	36.000		
Local Employee Benefits	33.499		
Capital for Homeland Security Critical Infrastructure	20.000		
County Psychiatric Hospitals	12.000		
Debt Service Pension Obligation Bonds	8.165		
Supplemental Security Income Caseload Increase	3.266		
Charter School Aid	2.200		
Abbott Bordered District Aid	1.903		
Unknown District of Residence	1.500		
DEP - Highlands Council Administration & Operations	1.000		
South Jersey Port Corporation Debt Service Reserve Fund	0.800		
<i>Subtotal - State Aid Increases</i>	<u>\$ 1,165.754</u>		
General Assistance Caseload Savings		\$ (18.891)	
Solid Waste Debt Service		(17.328)	
Special Municipal Aid		(16.405)	
County College Operating Support		(16.256)	
Bulk Purchasing - State Health Benefits		(14.500)	
Extraordinary Aid		(13.000)	
Regional Efficiency Aid Program (REAP)		(10.992)	
Senior/Disabled Citizens/Veterans Property Tax Deduction Projected Surplus		(9.900)	
High Expectations for Learning Proficiency (HELP)		(5.000)	
General Assistance Efficiencies		(5.000)	
Character Education		(4.750)	
Pharmacy Management		(3.900)	
Ewing School District		(2.200)	
West New York Parking Authority		(2.000)	
School District of Trenton - Security		(1.500)	
Aid to Nonpublic Schools		(1.134)	
Pension Ethics		(1.000)	
Department of Education Efficiencies		(0.955)	
Other (Net)		(13.364)	
<i>Subtotal - State Aid Decreases</i>		<u>\$ (158.075)</u>	
<i>Net Change (State Aid)</i>			<u>\$ 1,007.679</u>

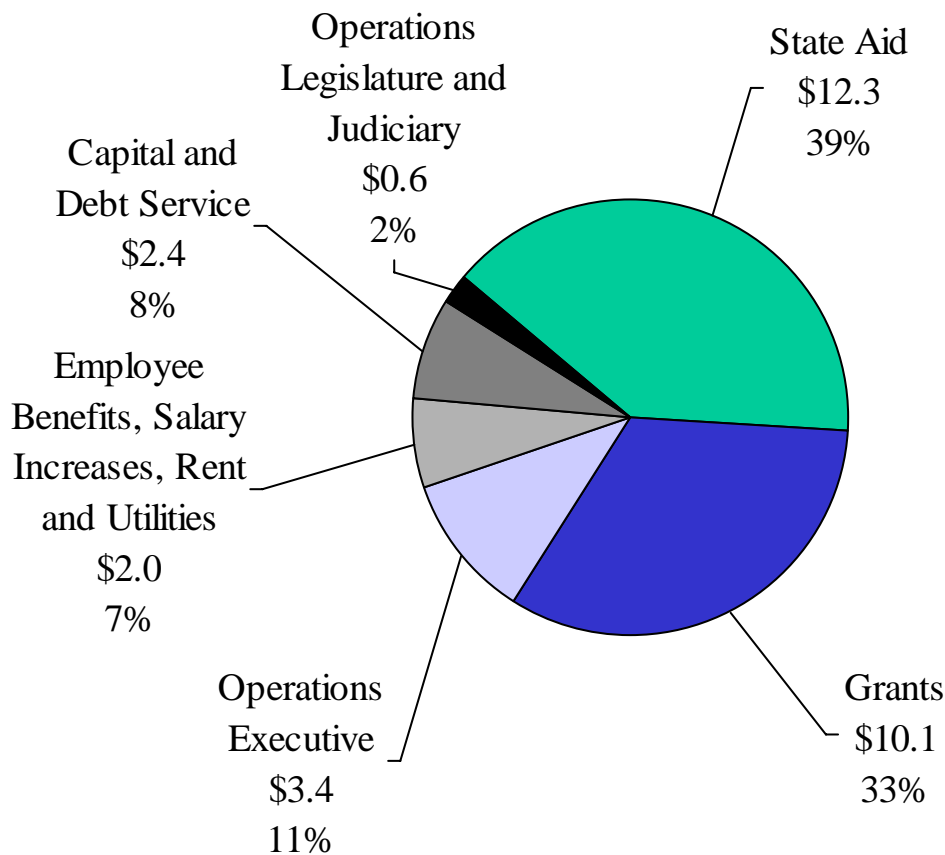
SUMMARIES OF APPROPRIATIONS

APPROPRIATIONS MAJOR INCREASES AND DECREASES (\$ In Millions)

	<u>Increases</u>	<u>Decreases</u>	<u>Net Change</u>
Capital Construction			
Transportation Trust Fund	\$ 90.000		
Capital Improvements for State Parks	40.000		
NJ Building Authority	30.618		
CBT Dedication	22.055		
Statewide Automated Child Welfare Information System	10.000		
H.R. 6 Flood Control – Urgent Projects	5.555		
Capital Improvements for Sheltering Homeless Veterans	<u>2.000</u>		
Subtotal - Capital Construction Increases	\$ 200.228		
Other (Net)		\$ (16.555)	
Subtotal - Capital Construction Decreases		\$ (16.555)	
Net Change (Capital Construction)			\$ 183.673
Debt Service			
General Obligation Debt Service	\$ 263.459		
Subtotal - Debt Service Increases	\$ 263.459		
Net Change (Debt Service)			\$ 263.459
GRAND TOTAL	<u>\$ 4,029.009</u>	<u>\$(1,419.807)</u>	<u>\$ 2,609.202</u>

Where Does the Money Go – State Aid and Grants Represent 72% of Budget

(In Billions)



72 cents of every dollar goes to Property Tax Relief and Grants in Aid

State Aid: includes Education Aid programs, Municipal Aid, Property Tax Relief programs, General Assistance, and Aid to County Colleges.

Grant-In-Aid: includes Property Tax Relief programs, Medicaid, Pharmaceutical Assistance for the Aged and Disabled, Nursing Home programs, and support for Higher Education.

Operations Executive: includes funding for adult prisons and juvenile facilities, State Police and other Law Enforcement programs, Human Services institutions, Veterans Homes, and the new Children and Families and the Public Advocate Departments.

SUMMARIES OF APPROPRIATIONS

FY 2006 Supplementals

(In Millions)

Supplemental Appropriations

Employee Benefits and Taxes	\$	69.70
Special Municipal Aid		65.50
Human Services - Medicaid		52.00
Nursing Homes and Medical Day Care		32.50
Purchase of County Jail Services		22.00
Additional School Aid		17.20
Energy Assistance Programs		13.00
Abbott Preschool Expansion Aid		11.80
Snow Removal		10.00
Debt Service		6.94
Workers' Compensation		6.00
Property Rentals		5.50
Insurance Tort Claims		3.00
Parole Board Sex Offender Monitoring Pilot Project		3.00
Other Supplementals		27.29
	\$	345.43

Shortfalls Funded by Transfers

Abbott Education Opportunity Aid	\$	92.36
Health Care Subsidy Fund		18.15
Taxation Investigation and Collection Services		13.70
Asset Diversification Initiative		5.58
Snow Removal		3.70
September 11 Memorial Design		2.80
Other Transfers		5.86
	\$	142.15
Grand Total	\$	487.58

Growth in Selected Mandated Programs

(In Millions)

Teachers' Pension and Annuity Fund	\$	744.12
Homestead Rebates		529.80
Charity Care - Replace UI Diversion		300.00
Medicaid Including Long Term Care (Includes \$50 million UI Diversion)		358.04
Pensions State Employees		287.70
G.O. Debt Service Costs		263.46
Salary Increases State Employees		199.95
All Other Debt Service		184.13
Business Employment Incentive Program		169.67
School Construction and Renovation Fund		115.95
Child Welfare Reform		114.98
Education Opportunity Aid (Abbott Districts)		92.00
Local Teachers' Post-Retirement Medical		54.36
State Employees' Active and Retirees Health Benefits		54.15
CBT Constitutionally Dedicated Programs		53.83
Pharmaceutical Assistance Aged and Disabled (PAAD)		52.50
Abbott Preschool Expansion Aid		39.00
Local Employee Benefits		33.50
New Jersey Building Authority Debt Service		30.62
Central Rent, Fuel and Utility Costs		28.10
NJ Transit Operating Subsidy		27.00
TANF Work Activities Case Management		21.00
Senior / Disabled Citizens' Property Tax Freeze		20.50
Pension Bond Debt Service		15.38
DDD Placement Annualization		11.10
Mental Health Community Placements		10.00

Restraint in Spending Growth

(In Millions)

Reduced Growth:	\$ 525.00
Flat Fund Municipal Aid	
Flat Fund School Districts	
Flat Fund Senior Public College Fringe Benefits	
Provide No Senior Public College Salary Funding	
Nursing Home and Medical Day Care Rates	
Reduced Base Spending:	
FY 2006 Legislative Additions	\$ 193.22
Senior Public College Support	89.57
Extraordinary and Special Municipal Aid	29.41
Cancer Hospital Grants	23.30
County College Operating Aid	16.26
Independent College and Universities Support	11.98
Regional Efficiency Aid Program	10.99
Efficiencies:	
Hospital Provider Assessment	\$ 215.00
Human Services - Shift to Federal Resources	117.69
Bulk Purchasing Prescriptions	75.00
Staffing Reduction with Associated Fringe Savings	67.17
Reduction in Prescription Fund Balance	60.00
Enhanced Medicaid Anti-Fraud Initiative	50.00
Management Efficiencies	50.00
Abbott District After School / Summer Copayment	30.00
State Employee Prescription - Mandatory Mail	20.00
Order and Generics	
Medicaid / Pharmaceutical Assistance Pharmacy Reimbursement	17.11
Medicaid Prescription Copayment	13.00

SUMMARIES OF APPROPRIATIONS

***Total Direct State Services
By Department***

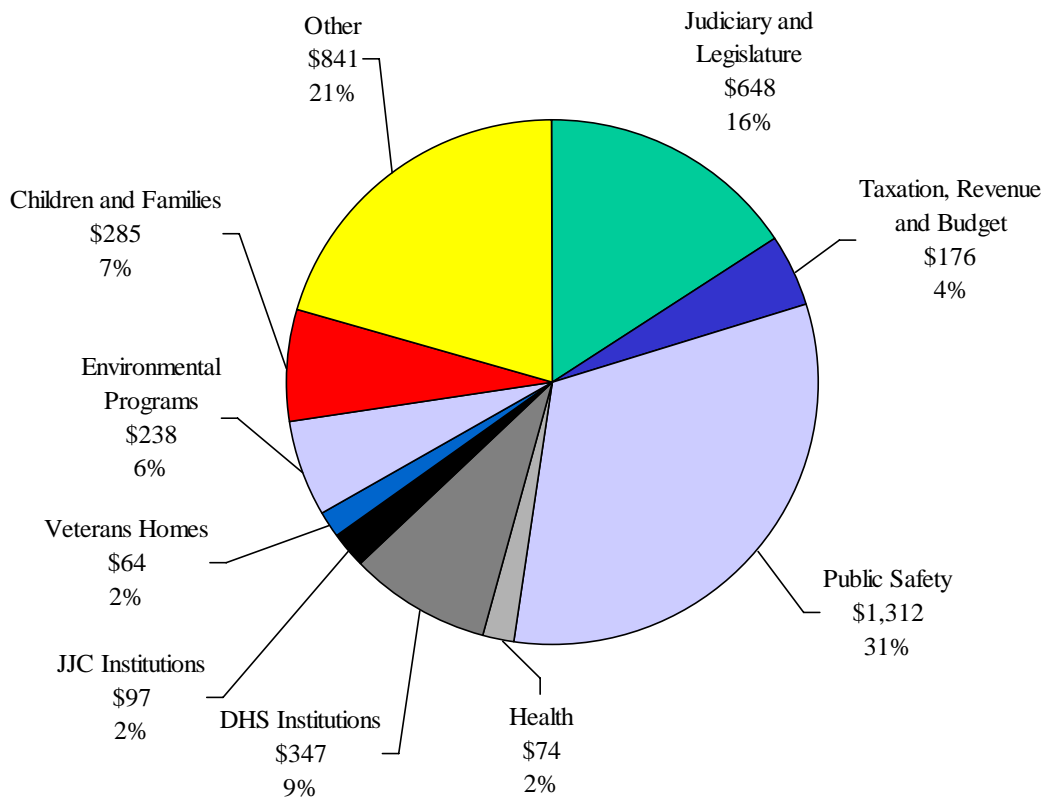
(In Thousands)

	FY2006 Appropriation	FY2006 Adjusted Appropriation	FY2007 Recommendation	Change \$	%
Chief Executive	\$ 4,972	\$ 5,183	\$ 4,924	\$ (259)	-5.0%
Agriculture	9,215	9,569	8,994	(575)	-6.0%
Banking and Insurance	67,037	68,033	67,965	(68)	-0.1%
Community Affairs	35,586	37,811	36,914	(897)	-2.4%
Corrections	906,980	938,166	931,420	(6,746)	-0.7%
Education	60,124	62,368	62,042	(326)	-0.5%
Environmental Protection	217,956	226,918	238,217	11,299	5.0%
Health & Senior Services	63,581	65,743	73,797	8,054	12.3%
Balance of Human Services	51,371	38,749	38,450	(299)	-0.8%
Central Office	24,068	47,454	30,696	(16,758)	-35.3%
Developmental Disabilities	208,074	217,354	94,441	(122,913)	-56.5%
Medical Assistance	26,989	26,221	25,779	(442)	-1.7%
Mental Health	259,530	268,737	264,015	(4,722)	-1.8%
Labor	60,696	62,072	61,849	(223)	-0.4%
Law & Public Safety	135,503	146,079	146,352	273	0.2%
State Police	304,949	312,464	306,524	(5,940)	-1.9%
Division of Law	28,983	28,647	17,052	(11,595)	-40.5%
Juvenile Justice Commission	94,910	98,381	97,025	(1,356)	-1.4%
Military & Veterans' Affairs	85,711	88,280	86,411	(1,869)	-2.1%
Personnel	24,540	25,463	23,990	(1,473)	-5.8%
Public Advocate	15,937	16,220	19,420	3,200	19.7%
State	14,268	16,819	13,213	(3,606)	-21.4%
Public Broadcasting	6,446	6,727	5,604	(1,123)	-16.7%
State Library	4,370	4,570	4,570	-	0.0%
Transportation	89,675	103,955	86,448	(17,507)	-16.8%
Treasury	394,053	421,877	401,092	(20,785)	-4.9%
Misc. Executive Commissions	1,403	1,432	1,407	(25)	-1.7%
Total Executive Branch	\$ 3,196,927	\$ 3,345,292	\$ 3,148,611	\$ (196,681)	-5.9%
Legislature	\$ 74,173	\$ 76,221	\$ 76,221	\$ -	0.0%
Judiciary	554,026	571,750	571,750	-	0.0%
Subtotal Operations-Base	\$ 3,825,126	\$ 3,993,263	\$ 3,796,582	\$ (196,681)	-4.9%
Required Increases					
Children and Families	\$ 182,509	\$ 191,881	\$ 285,046	93,165 ^(a)	48.6%
Interdepartmental					
Other	\$ 86,921	\$ 86,921	\$ 84,642	\$ (2,279)	-2.6%
Pension, Health Benefits & PRM	1,097,748	1,149,748	1,375,787	226,039	19.7%
Employer Taxes	337,049	346,049	340,337	(5,712)	-1.7%
Insurance, Utilities, and Other	271,115	284,515	316,317	31,802	11.2%
Salary Program	140,124	-	127,860	127,860	-
Subtotal Interdepartmental	\$ 1,932,957	\$ 1,867,233	\$ 2,244,943	377,710	20.2%
Total	\$ 5,940,592	\$ 6,052,377	\$ 6,326,571	274,194	4.5%

(a) Includes \$39.5 million reallocated from the Department of Human Services

Components of Operating Budget

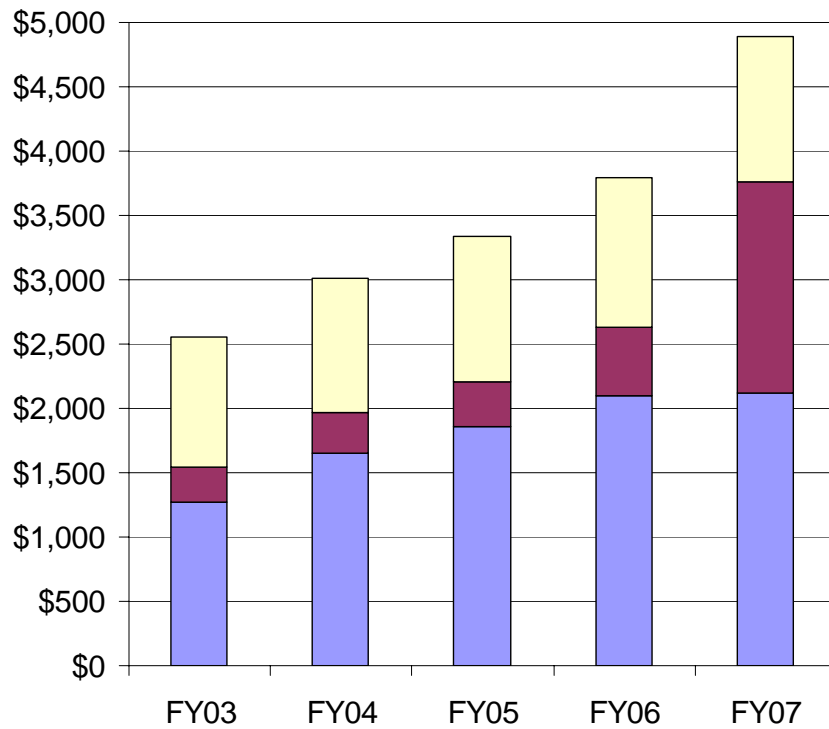
(In Millions)



Total State \$4.1 billion

Employee Benefit Costs

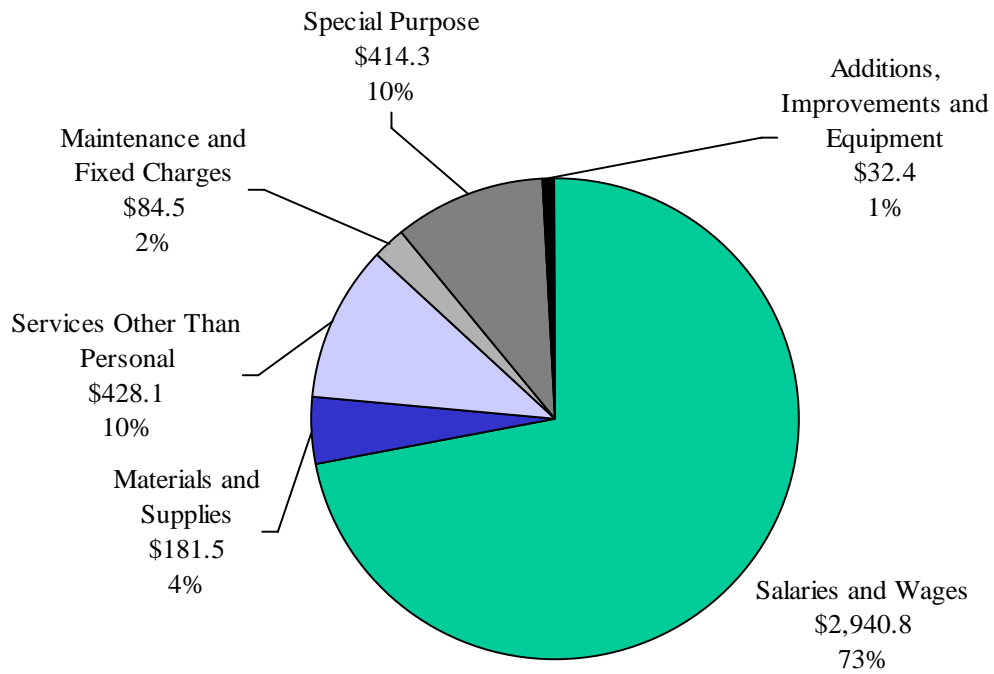
(In Millions)



■ Health Benefits/PRM ■ Pensions/Debt Service ■ Employer Taxes

Operating Split between Salaries and Other Costs

(In Millions)



SUMMARIES OF APPROPRIATIONS

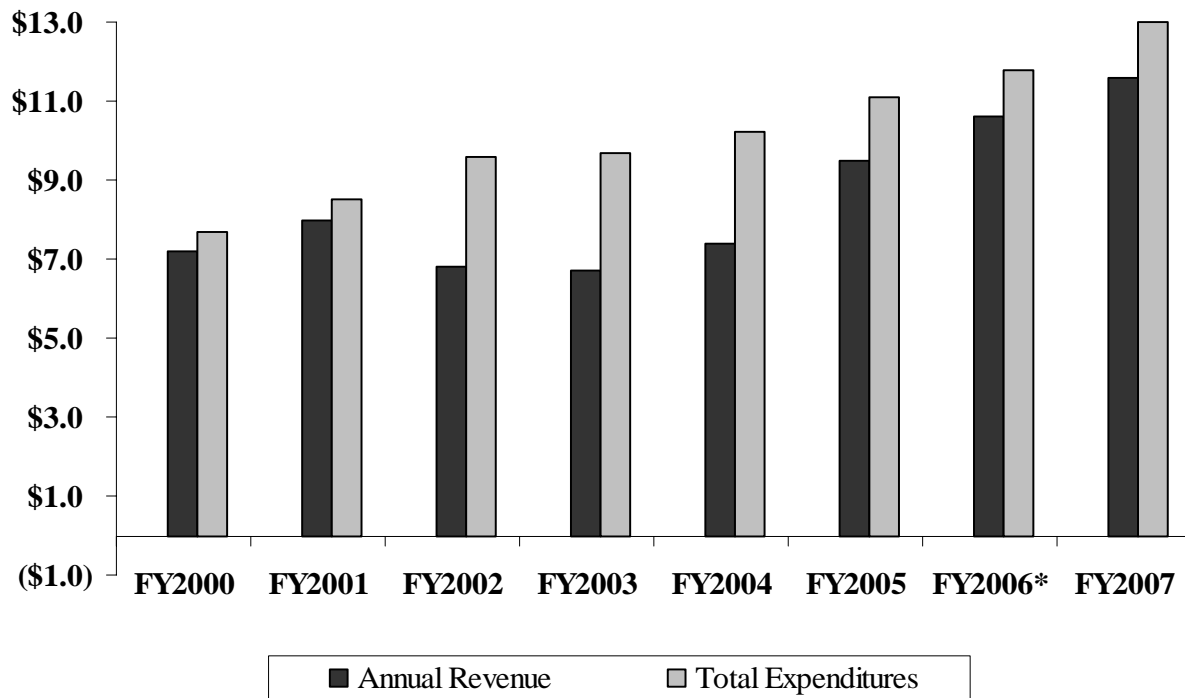
***Funding for
Property Tax Relief***

(In Millions)

<u>Programs</u>	<u>FY2006 Adjusted Approp.</u>	<u>FY2007 Budget</u>	<u>\$ Change</u>
School Aid	\$ 9,384.9	\$ 10,424.8	\$ 1,039.9
Municipal Aid	1,881.3	1,841.4	(39.9)
Other Local Aid	813.0	817.6	4.6
Direct Taxpayer Relief	<u>1,313.9</u>	<u>1,877.3</u>	<u>563.4</u>
Subtotal Direct Aid	<u>\$ 13,393.0</u>	<u>\$ 14,961.1</u>	<u>\$ 1,568.0</u>
Pension Savings	182.8	151.6	(31.2)
Police and Firemen's Pension Savings	<u>174.0</u>	<u>105.7</u>	<u>(68.3)</u>
Subtotal Pension Savings	<u>\$ 356.8</u>	<u>\$ 257.3</u>	<u>\$ (99.5)</u>
Hotel Revenue	<u>\$ 38.0</u>	<u>\$ 38.0</u>	<u>\$ -</u>
Realty Transfer Fee - County Share	<u>\$ 130.0</u>	<u>\$ 130.0</u>	<u>\$ -</u>
Grand Totals	<u><u>\$ 13,917.8</u></u>	<u><u>\$ 15,386.4</u></u>	<u><u>\$ 1,468.5</u></u>

Funding for Property Tax Relief Programs Exceeds Income Tax Revenues

(In Billions)



* Includes \$400 million fiscal 2005 carryforward

SUMMARIES OF APPROPRIATIONS

Taxpayer Relief (In Millions)

PROGRAM DESCRIPTION	FY2006	FY2007	Change	
	Adjusted Approp.	Budget	\$	%
School Aid				
Direct Aid	\$ 7,483.4	\$ 7,586.9	\$ 103.6	1.4%
School Building Aid	378.9	492.0	113.1	29.8%
Teachers' Retirement Benefits & Social Security	1,522.6	2,345.9	823.2	54.1%
Subtotal School Aid	\$ 9,384.9	\$ 10,424.8	\$ 1,039.9	11.1%
Municipal Aid				
Consolidated Municipal Property Tax Relief Aid	\$ 835.4	\$ 835.4	\$ -	-
* Energy Receipts Property Tax Relief Aid	788.5	788.5	-	-
Special Municipal Aid	94.8	78.4	(16.4)	(17.3%)
Legislative Initiative Block Grant Program	34.8	34.8	-	-
Extraordinary Aid	43.0	30.0	(13.0)	(30.2%)
Trenton Capitol City Aid	16.5	16.5	-	-
Highlands Protection Fund Aid	12.0	12.0	-	-
Regional Efficiency Aid Program (REAP)	11.0	-	(11.0)	(100.0%)
Open Space - Payments in Lieu of Taxes	9.0	9.5	0.5	5.6%
Regional Efficiency Development Incentive Grants (REDI)	4.2	4.2	-	-
Municipal Homeland Security Assistance	32.0	32.0	-	-
Subtotal Municipal Aid	\$ 1,881.3	\$ 1,841.4	\$ (39.9)	(2.1%)
Other Local Aid				
County College Aid	\$ 223.6	\$ 208.1	\$ (15.5)	(6.9%)
* Transportation Trust Fund - Local Project Aid	145.0	175.0	30.0	20.7%
Aid to County Psychiatric Hospitals	104.6	116.6	12.0	11.5%
Property Tax Assistance and Community Development	40.0	-	(40.0)	(100.0%)
General Assistance Administration	26.0	26.0	-	-
* Urban Enterprise Zones - Sales Tax Dedication	82.0	84.0	2.0	2.4%
County Solid Waste Debt	57.3	40.0	(17.3)	(30.2%)
DCA - Housing and Neighborhood Assistance	16.7	16.7	-	-
Library Aid	18.5	18.5	-	-
Employee Benefits on behalf of Local Governments	72.9	106.4	33.5	46.0%
911 Enhancement	14.9	14.9	-	0.0%
County Prosecutors	8.0	8.0	-	0.0%
County Environmental Health Act	3.5	3.5	-	0.0%
Subtotal Other Local Aid	\$ 813.0	\$ 817.6	\$ 4.6	0.6%
Direct Taxpayer Relief				
Homestead Rebates	691.5	1,221.3	529.8	76.6%
Senior/Disabled Citizens' Property Tax Freeze	98.4	118.9	20.5	20.8%
Municipal Reimbursement--Veterans' Tax Deductions	86.0	76.4	(9.6)	(11.2%)
Municipal Reimbursement--Senior/Disabled Citizens' Tax Deductions	23.0	22.7	(0.3)	(1.3%)
* Property Tax Deduction Act	415.0	438.0	23.0	5.5%
Subtotal Direct Taxpayer Relief	\$ 1,313.9	\$ 1,877.3	\$ 563.4	42.9%
Pension Savings				
School District Pension Savings	\$ 39.8	\$ 33.0	\$ (6.8)	(17.1%)
Municipal Pension Savings	48.0	39.8	(8.2)	(17.1%)
Other Local Pension Savings	95.0	78.8	(16.2)	(17.1%)
Police & Firemen's Retirement System	174.0	105.7	(68.3)	(39.3%)
Subtotal Pension Savings	\$ 356.8	\$ 257.3	\$ (99.5)	(27.9%)
Hotel Municipal Revenue	\$ 38.0	\$ 38.0	\$ -	0.0%
Realty Transfer Fee - County Share	\$ 130.0	\$ 130.0	\$ -	0.0%
GRAND TOTAL - TAXPAYER RELIEF	\$ 13,917.9	\$ 15,386.4	\$ 1,468.4	10.6%

* Not part of State budget

SUMMARIES OF APPROPRIATIONS

School Aid

(In Millions)

	FY2006 Adjusted Approp.	FY2007 Budget	\$ Change
Formula/Supplemental Programs	\$ 7,000.0	\$ 7,094.3	\$ 94.3
Abbott Preschool Expansion	204.2	243.2	39.0
Nonpublic School Aid	102.7	101.6	(1.1)
Above Average Enrollment Growth	12.0	17.6	5.6
Other Aid	164.4	130.2	(34.2)
Total Direct School Aid	\$ 7,483.4	\$ 7,586.9	\$ 103.6
Teachers' Pension and Annuity Fund	\$ 94.5	\$ 837.6	\$ 743.1
Post Retirement Medical	685.4	721.4	36.0
Debt Service on Pension Obligation Bonds	86.9	95.1	8.2
Teachers' Social Security	655.8	691.8	36.0
Total Direct State Payments for Education	\$ 1,522.6	\$ 2,345.9	\$ 823.2
School Construction and Renovation Fund	\$ 259.3	\$ 375.2	\$ 115.9
Debt Service Aid	119.7	116.8	(2.9)
Total School Building Aid	\$ 378.9	\$ 492.0	\$ 113.1
Total School Aid	\$ 9,384.9	\$ 10,424.8	\$ 1,039.9

SUMMARIES OF APPROPRIATIONS

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

---Recommended Fiscal Year 2007---

	Expended Fiscal 2005	Adjusted Appropriation Fiscal 2006	Requested Fiscal 2007	General Fund	Property Tax Relief Fund	Total
Formula Aid Programs:						
Core Curriculum Standards Aid	\$ 3,080,270	\$ 3,080,318	\$ 3,080,318	\$ 384,935	\$ 2,695,383	\$ 3,080,318
Supplemental Core Curriculum Standards Aid	251,768	251,768	251,768	0	251,768	251,768
Early Childhood Aid	330,630	330,630	330,630	0	330,630	330,630
Instructional Supplement	15,621	15,621	15,621	0	15,621	15,621
Demonstrably Effective Program Aid	199,512	199,512	199,512	0	199,512	199,512
Stabilization Aid	111,626	111,626	111,626	0	111,626	111,626
Stabilization Aid 2	2,491	2,491	2,491	0	2,491	2,491
Stabilization Aid 3	11,402	11,402	11,402	0	11,402	11,402
Additional Supplemental Stabilization Aid:						
Large Efficient Districts	5,250	5,250	5,250	0	5,250	5,250
High Senior Citizen Concentrations	1,231	1,231	1,231	0	1,231	1,231
Regionalization Incentive Aid	18,295	18,295	18,295	0	18,295	18,295
Categorical Aids:						
Adult Education Grants	28,721	28,721	28,721	0	28,721	28,721
Bilingual Education	65,578	65,578	65,578	0	65,578	65,578
Special Education	896,420	896,420	896,420	0	896,420	896,420
County Vocational Education	38,948	38,948	38,948	0	38,948	38,948
Pupil Transportation Aid	307,187	309,687	309,687	0	309,687	309,687
School Choice	7,969	9,969	8,306	0	8,306	8,306
Abbott-Bordered District Aid	0	20,000	21,903	0	21,903	21,903
Aid for Enrollment Adjustments	16,456	16,456	16,456	0	16,456	16,456
Consolidated Aid	130,127	130,127	129,684	0	129,684	129,684
Above Average Enrollment Growth	11,091	12,000	17,575	0	17,575	17,575
Additional Formula Aid	90,000	90,000	86,772	0	86,772	86,772
Less:						
Stabilization Aid Growth Limitation	(73,576)	(73,576)	(73,576)	0	(73,576)	(73,576)
Growth Savings - Payment Change	(4,415)	(2,450)	(8,450)	0	(8,450)	(8,450)
Subtotal, Net T&E Budget	\$ 5,542,602	\$ 5,570,024	\$ 5,566,168	\$ 384,935	\$ 5,181,233	\$ 5,566,168
School Construction and Renovation Fund	128,962	259,269	375,215	375,215	0	375,215
Debt Service Aid	120,663	119,679	116,826	116,826	0	116,826
Subtotal, School Building Aid	\$ 249,625	\$ 378,948	\$ 492,041	\$ 492,041	\$ -	\$ 492,041
TOTAL FORMULA AID	\$ 5,792,227	\$ 5,948,972	\$ 6,058,209	\$ 876,976	\$ 5,181,233	\$ 6,058,209

SUMMARIES OF APPROPRIATIONS

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

---Recommended Fiscal Year 2007---

	Expended Fiscal 2005	Adjusted Appropriation Fiscal 2006	Requested Fiscal 2007	General Fund	Property Tax Relief Fund	Total
Other Aid to Education:						
Nonpublic School Aid	\$ 107,123	\$ 102,749	\$ 101,615	\$ 101,615	\$ -	\$ 101,615
Education Opportunity Aid	1,372,273	1,449,495	1,545,540	0	1,545,540	1,545,540
Abbott Preschool Expansion Aid	179,753	204,200	243,200	0	243,200	243,200
Early Launch to Learning Initiative	1,565	4,000	3,000	0	3,000	3,000
High Expectations for Learning Proficiency	17,000	15,000	10,000	10,000	0	10,000
Payment for Children with Unknown District of Residence	25,900	28,700	30,200	0	30,200	30,200
Extraordinary Special Education Costs Aid	51,998	52,000	52,000	52,000	0	52,000
General Vocational Aid	4,860	4,860	4,860	4,860	0	4,860
Additional School Building Aid (Debt Service)	955	775	23	0	23	23
Educational Information & Resource Center	450	450	450	450	0	450
Charter School Aid	11,745	12,258	12,258	0	12,258	12,258
Charter Schools - Council on Local Mandates Decision Offset Aid	5,432	8,300	10,500	0	10,500	10,500
Character Education	4,723	4,750	0	0	0	0
Teacher Quality Mentoring	2,498	2,500	2,500	0	2,500	2,500
Other Aid	11,297	23,291	4,591	4,491	100	4,591
Subtotal, Other Aid to Education	\$1,797,572	\$1,913,328	\$2,020,737	\$173,416	\$1,847,321	\$2,020,737
Subtotal, Department of Education	\$7,589,799	\$7,862,300	\$8,078,946	\$1,050,392	\$7,028,554	\$8,078,946
Direct State Payments for Education:						
Teachers' Pension and Annuity Fund	0	68,727	805,162	0	805,162	805,162
Teachers' Pension and Annuity Fund - Post Retirement Medical	484,507	589,118	616,540	0	616,540	616,540
Teachers' Pension and Annuity Fund - Non-Contributory	0	25,789	32,471	32,471	0	32,471
Debt Service on Pension Obligation Bonds	79,779	86,940	95,097	95,097	0	95,097
Post Retirement Medical Other Than TPAF	78,908	96,318	104,854	104,854	0	104,854
Teachers' Social Security Assistance	624,745	655,750	691,750	0	691,750	691,750
Subtotal, Direct State Payments for Education	\$1,267,939	\$1,522,642	\$2,345,874	\$232,422	\$2,113,452	\$2,345,874
TOTAL	\$8,857,738	\$9,384,942	\$10,424,820	\$1,282,814	\$9,142,006	\$10,424,820

SUMMARIES OF APPROPRIATIONS***Municipal Aid***

(In Millions)

	FY2006 Adjusted Approp.	FY2007 Budget	\$ Change
Consolidated Municipal Property Tax Relief Aid (CMPTRA)	\$ 835.4	\$ 835.4	\$ -
Energy Receipts Property Tax Relief Aid	788.5	788.5	-
Special Municipal Aid	94.8	78.4	(16.4)
Municipal Homeland Security Assistance	32.0	32.0	-
Regional Efficiency Aid Program (REAP)	11.0	-	(11.0)
Trenton Capitol City Aid	16.5	16.5	-
Highlands Protection Fund Aid	12.0	12.0	-
Legislative Initiative Block Grant Program	34.8	34.8	-
Extraordinary Aid	43.0	30.0	(13.0)
Open Space - Payment In Lieu of Taxes (PILOT)	9.0	9.5	0.5
Regional Efficiency Development Incentive Grants (REDI)	4.2	4.2	-
Total Direct Municipal Aid	\$ 1,881.3	\$ 1,841.4	\$ (39.9)

SUMMARIES OF APPROPRIATIONS

Direct Property Tax Relief

(In Millions)

	FY2006 Adjusted Approp.	FY2007 Budget	\$ Change
Homestead Rebates	\$ 691.5	\$ 1,221.3 *	\$ 529.8
Senior/Disabled Citizens Property Tax Freeze	98.4	118.9	20.5
Property Tax Deduction Act	415.0	438.0	23.0
Municipal Reimbursement - Veterans' Tax Deductions	86.0	76.4	(9.6)
Municipal Reimbursement - Senior/Disabled Citizens' Tax Deductions	23.0	22.7	(0.3)
Total Direct Property Tax Relief	\$ 1,313.9	\$ 1,877.3	\$ 563.4

* Of this amount, \$400 million was a FY 2005 appropriation.

SUMMARIES OF APPROPRIATIONS

Higher Education

(In Millions)

	FY2006 Adjusted Approp.	FY2007 Budget	Change \$	%
Colleges and Universities				
Senior Public Colleges and Universities	\$ 1,496.7	\$ 1,353	\$ (143)	(9.6%)
County Colleges	223.6	208.1	(15.5)	(6.9%)
Independent Colleges and Universities	24.0	12.0	(12.0)	(50.0%)
Student Financial Assistance	248.8	249.5	0.6	0.3%
Educational Opportunity Fund	40.6	40.6	-	---
Facility and Capital Improvement Programs	90.0	98.5	8.5	9.4%
Other Programs	24.3	17.1	(7.2)	(29.7%)
Total Higher Education	\$ 2,148.0	\$ 1,979.0	\$ (169.1)	(7.9%)

SUMMARIES OF APPROPRIATIONS

Higher Education

(In Millions)

	FY2006 Adjusted Approp.	FY2007 Budget	\$ Change
Senior Public Institutions			
Rutgers University	\$ 356.3	\$ 300.3	\$ (55.9)
UMDNJ	242.9	194.2	(48.8)
NJIT	51.5	45.8	(5.8)
Thomas Edison State College	6.7	5.4	(1.2)
Rowan University	39.5	35.4	(4.1)
New Jersey City University	33.5	30.1	(3.4)
Kean University	43.2	37.8	(5.4)
William Paterson University	42.1	37.8	(4.2)
Montclair State University	50.4	44.8	(5.6)
College of New Jersey	38.0	34.0	(4.0)
Ramapo College of New Jersey	21.4	19.0	(2.4)
Richard Stockton College of New Jersey	25.7	23.0	(2.7)
Subtotal Senior Publics Direct Aid	\$ 951.1	\$ 807.6	\$ (143.5)
Senior Publics Salary Funding	-	-	-
Senior Publics Net Fringe Benefits	545.7	545.7	-
Total Senior Publics	\$ 1,496.7	\$ 1,353.2	\$ (143.5)
Total County Colleges ^(a)	223.6	208.1	(15.5)
Total Independent Colleges and Universities	24.0	12.0	(12.0)
Student Financial Assistance			
Tuition Aid Grants (TAG)	208.9	214.7	5.8
Part-time TAG for County Colleges	4.5	4.9	0.5
NJSTARS I & II	8.0	8.0	-
EOF Grants and Scholarships	40.6	40.6	-
Loan Forgiveness for Mental Health Workers	3.5	3.5	-
Other Student Aid Programs	24.0	18.3	(5.7)
Total Student Financial Assistance	\$ 289.4	\$ 290.1	\$ 0.6
Other Programs			
Capital Grants and Facilities Support ^(b)	90.0	98.5	8.5
New Jersey Stem Cell Research Institute	5.5	5.5	-
All Other Programs	18.8	11.6	(7.2)
Total Other Programs	\$ 114.3	\$ 115.6	\$ 1.3
Grand Total Higher Education	\$ 2,148.0	\$ 1,979.0	\$ (169.1)

^(a) Includes funding from Supplemental Workforce Fund for Basic Skills of \$14.0 million in FY 2006 and \$8.0 million in FY 2007.

^(b) Includes use of off-budget fund balances totaling \$18.0 million in FY 2006 and \$12.0 million in FY 2007.

SUMMARIES OF APPROPRIATIONS

Direct Property Tax Relief

(In Millions)

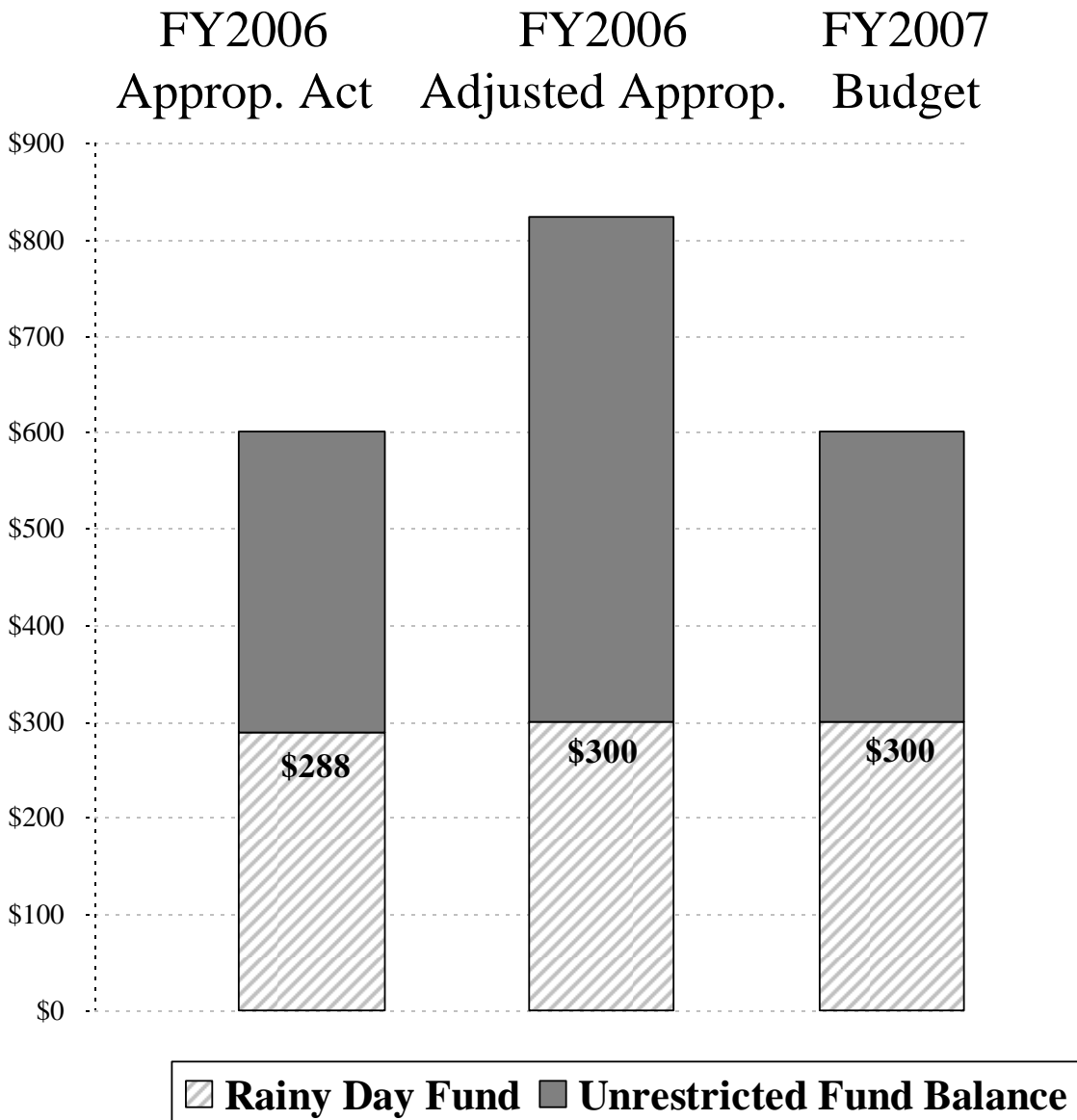
	FY2006 Adjusted Approp.	FY2007 Budget	\$ Change
Homestead Rebates	\$ 691.5	\$ 1,221.3 *	\$ 529.8
Senior/Disabled Citizens Property Tax Freeze	98.4	118.9	20.5
Property Tax Deduction Act	415.0	438.0	23.0
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SUMMARIES OF APPROPRIATIONS

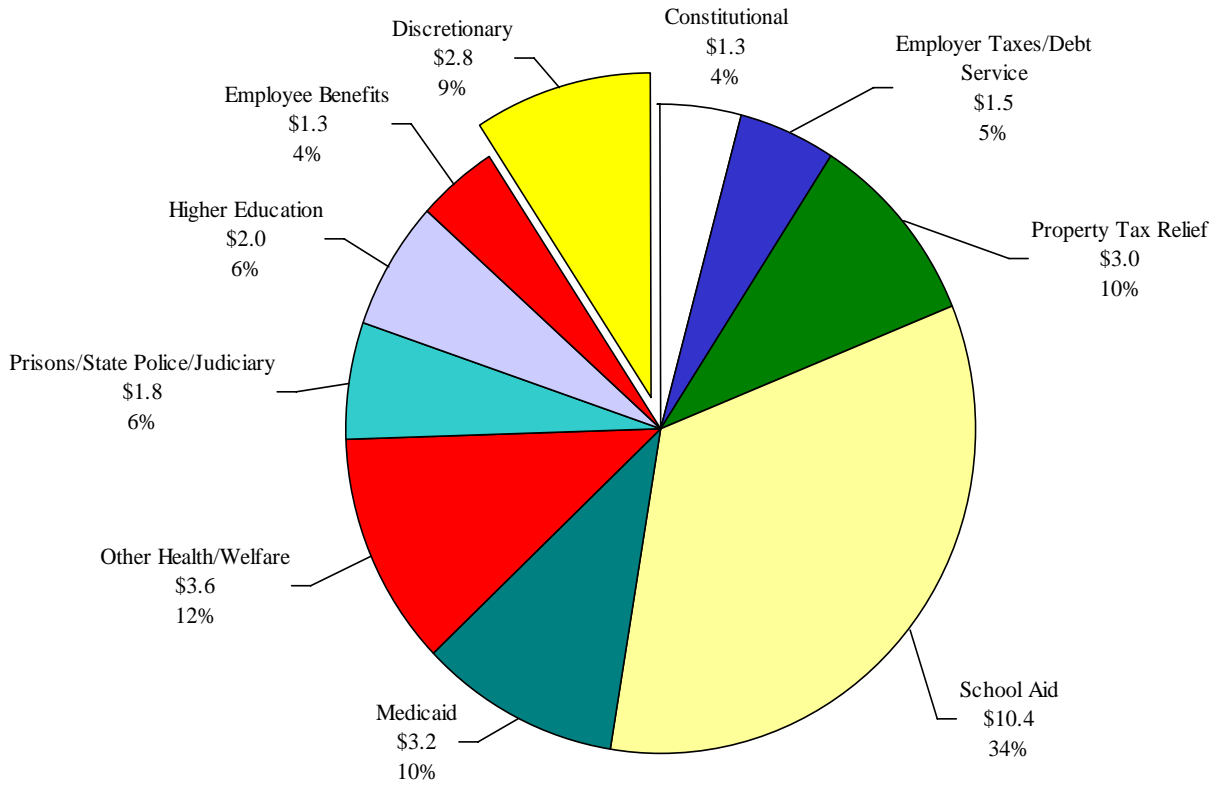
Surplus

(In Millions)



Fiscal Year 2007

(In Billions)



Total \$30.9 Billion

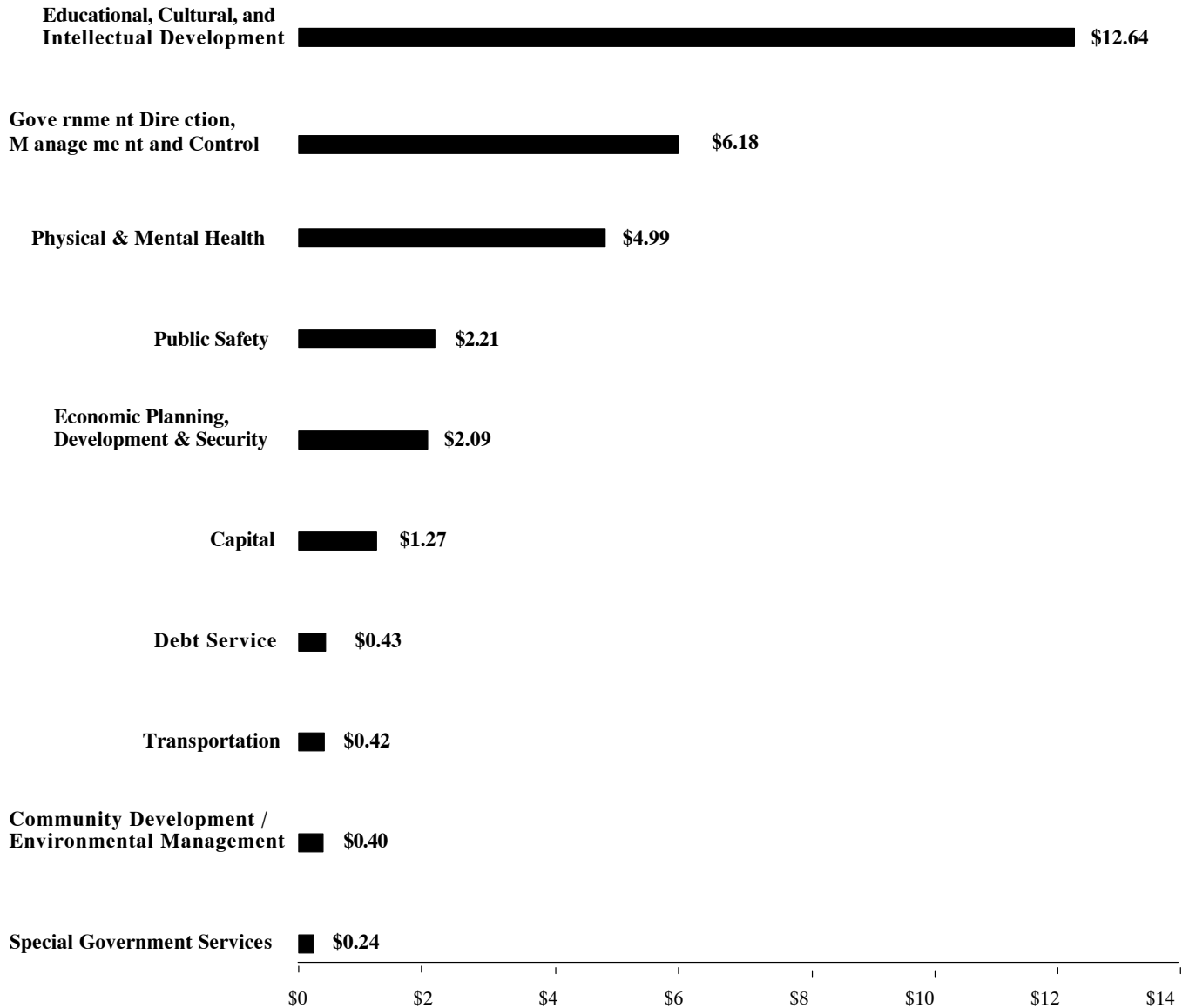
SUMMARIES OF APPROPRIATIONS

Projected Shortfall Continues Into FY 2008

(In Millions)

	<u>FY2007</u>	<u>FY2008</u>	<u>-----DIFF-----</u>	
			<u>\$</u>	<u>%</u>
OPENING FUND BALANCE	\$ 824	\$ 601	\$ (223)	-27.06%
REVENUES				
Income	11,615	12,805	1,190	10.2%
Sales	6,944	7,180	236	3.4%
Corporate	2,463	1,955	(508)	-20.6%
Other	7,829	7,850	21	0.3%
FY 2007 Revenue Solutions	<u>1,801</u>	<u>1,746</u>	<u>(55)</u>	<u>-3.0%</u>
Total	\$ 30,652	\$ 31,536	\$ 884	2.9%
RECOMMENDATIONS/PROJECTIONS	\$ 30,875	\$ 33,069	\$ 2,194	7.1%
Employee Benefits (other than pensions)	\$ 735			
Pensions 80%	355			
Debt Service	260			
Aid to Education	350			
Medicaid	320			
One-Time Balances/Federal Funds	154			
Deferred COLA and Increments	50			
Continued Hiring Freeze	(30)			
FUND BALANCE	<u>601</u>	<u>(932)</u>	<u>(1,533)</u>	<u>-255.0%</u>

**Fiscal 2007
Summary of Recommendations
by Statewide Program
(In Billions)**



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