

State of New Jersey

The Governor's FY2021 Budget Detailed Budget



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Office of Management and Budget
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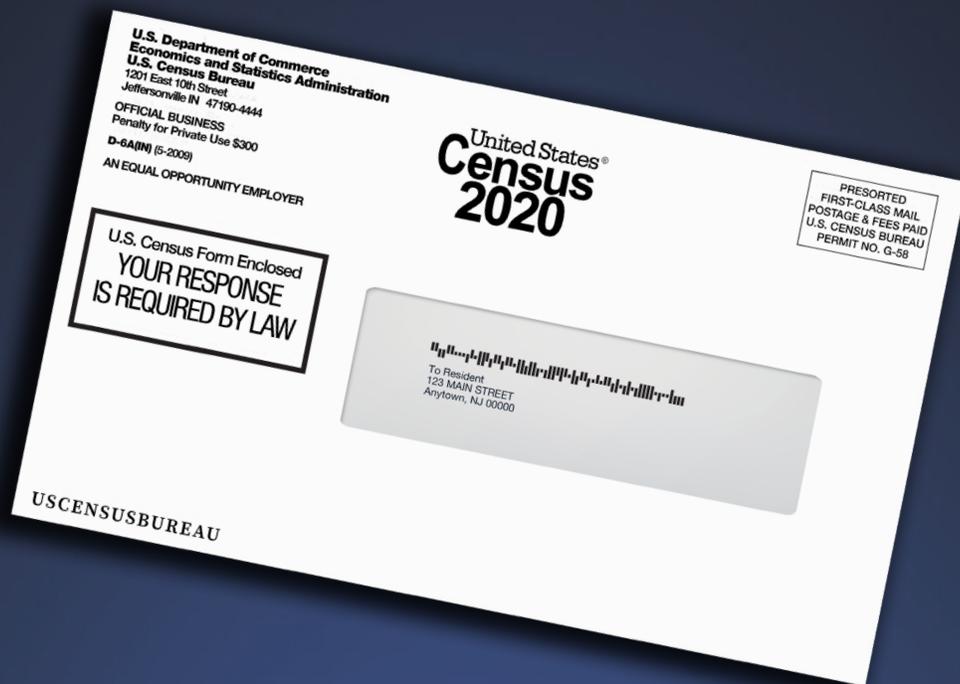
Office of Management and Budget

February 25, 2020

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WANT A BETTER FUTURE FOR NEW JERSEY?

FILL IT OUT!



- So much of New Jersey's future relies on us all being counted.
- Federal funding for things like public safety, children's health insurance, social programs and transportation are directly tied to the Census.
- Knowing the population of an area helps businesses decide where to open, that means more jobs and more opportunities.
- Our number of representatives in Congress and the drawing of voting districts are also determined by Census results.
- So, fill out your Census - be sure to count little ones and babies - online, by phone or by mail.
- All responses are completely confidential and protected by federal law.

STRENGTH IN NUMBERS



The 2020 Census begins March 12. Learn more at [CENSUS.NJ.GOV](https://www.census.gov)

2020 Census FAQ

What is the census?

The census is a count of every person who lives in the United States and its territories. It happens every 10 years. In early 2020, you will be asked to count everyone who lives in your home as of April 1. Responding to the 2020 Census is a chance to shape your future.

What's in it for me?



Your responses inform where over \$675 billion is distributed each year to communities nationwide for clinics, schools, roads, and more. What does that mean for New Jersey? \$23 billion in annual federal funds to help with much-needed community improvements.*



Census data gives community leaders vital information to make decisions about building community centers, opening businesses, and planning for the future.



Responding also fulfills your civic duty because it's mandated by the U.S. Constitution. The United States has counted its population every 10 years since 1790.



Your responses are used to redraw legislative districts and determine the number of seats your state has in the U.S. House of Representatives.

Is my information safe?

Your responses to the 2020 Census are safe, secure, and protected by federal law. Your answers can only be used to produce statistics. They cannot be used against you by any government agency or court in any way—not by the FBI, not by the CIA, not by the DHS, and not by ICE.

When can I respond to the census?

In early 2020, every household in America will receive a notice to complete the census online, by phone, or by mail. In May, the U.S. Census Bureau will begin following up in person with households that have yet to respond.

What will I be asked?

You will be asked a few simple questions, like age, sex, and the number of people who live in your home, including children.

What won't be asked?

The census will never ask for Social Security numbers, bank or credit card numbers, money or donations, or anything related to political parties.

STRENGTH IN NUMBERS



*Andrew Reamer. "Counting for Dollars 2020: The Role of the Decennial Census in the Geographic Distribution of Federal Funds." GW Institute of Public Policy, The George Washington University.

The 2020 Census begins March 12.
Learn more at [CENSUS.NJ.GOV](https://census.nj.gov)



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

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State of New Jersey

For the Fiscal Year Beginning

July 1, 2019

Christopher P. Morill

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the State of New Jersey, for the Annual Budget beginning July 01, 2019.

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

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

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Governor's Message

**PHILIP MURPHY
GOVERNOR OF NEW JERSEY
TRANSMITTED TO THE FIRST ANNUAL SESSION
OF THE TWO HUNDRED AND TWENTY FIRST LEGISLATURE
February 25, 2020**

Lieutenant Governor Oliver. Senate President Sweeney, Speaker Coughlin, Majority Leaders Weinberg and Greenwald, Minority Leaders Kean and Bramnick, and members of the 219th Legislature.

Chief Justice Rabner and Judge Grant. Members of the Cabinet.

Former Governors McGreevey and Codey.

First Lady Tammy Murphy and the many special guests sitting with her before me.

Distinguished faith leaders, veterans, members of organized labor, honored guests, and my fellow New Jerseyans.

As President Franklin Delano Roosevelt said, "In our personal ambitions we are individualists. But in our seeking for economic and political progress ... we all go up, or else we all go down, as one people."

That was the ideal we brought to our first two budgets, and which we now bring to our third – for New Jerseyans to succeed individually, and for our state to succeed as a whole. That is our north star.

Ours is a vision of long-term and sustainable investment in our people and our communities – in their futures, and in ours.

The choices we make come from a belief that the conversations taking place around the kitchen table are more important to our future than those happening around any backroom table.

The answer to the question of affordability isn't found in rewarding the special interests. It is found in creating new opportunities that reward our middle class – fixing what's broken and addressing the everyday needs of New Jersey's families.

This has been our focus. And, because of that, New Jersey is confidently moving forward.

Our administration took office with a clear and unshakable goal – to grow and strengthen New Jersey's middle class. That means creating opportunity, shrinking inequalities, restoring fiscal responsibility, delivering property tax relief, growing our economy, and investing in our future.

We were told that all of this couldn't be done. We were told we were dreaming. We were told the math couldn't possibly work.

They said we couldn't be pro-growth and progressive, that we couldn't make New Jersey stronger and fairer.

But we have stayed true to our beliefs. We are who we said we'd be. And, today, we are proving the naysayers wrong.

Believe me, there is so much more work to do. But, today, property taxes are stabilizing for middle-class families and seniors.

Today, wages are rising and more New Jerseyans are working than ever before.

Our unemployment rate is below four percent for the longest period of time than at any other point in the past 20 years.

Our economy has supported the creation of more than 72,000 private-sector jobs, and, at the same time, we have kept our state workforce level.

More job-creating businesses are opening in New Jersey, and we are far outpacing our peers and, indeed, the nation, in their rate of growth.

Today, 8,500 residents are participating in one of 988 recognized apprenticeship programs, gaining the skills they will need to get good-paying, mostly union, jobs.

Hundreds of high school students in Burlington, New Brunswick, and Paterson are preparing for the STEM jobs of tomorrow in innovative P-TECH classrooms, working toward a high school diploma, a no-cost associate's degree, and workforce credentials, all at the same time.

GOVERNOR'S MESSAGE

And, right now, students in Trenton are preparing to join them.

Today, tens of thousands of three- and four-year-olds, in school districts up and down our state, have a fully-funded seat in a pre-K classroom – an opportunity nearly 6,000 of them, across over 90 districts, didn't have two years ago.

More than 7,500 qualified students are working toward an associate's degree – tuition-free – under the Community College Opportunity Grant program that didn't exist two years ago.

Nearly a quarter-million residents have been able to purchase affordable, individual health care plans under the Affordable Care Act and, at a time when health care costs are rising across the country, these policies are coming with lower average costs than before our administration took office.

And, we've secured the ACA's protections for millions more consumers.

Today, we have a stronger surplus, we have been disciplined and anticipate making back-to-back deposits into the rainy day fund for the first time in 20 years, and, we're putting the brakes to the financial roller-coaster our state has been on for far too long.

We are making progress not despite our progressive and forward-leaning policies, but because of them.

I stand here today with a vision for how our state can work for everyone, with a proposed budget built to see it to fruition, and with our progress as prologue.

Now, I know that the budget I receive back won't look exactly like the one I am handing you. But, I know that by working together, we will arrive at a budget that continues to restore the faith that we can work together for the common good, and that we can deliver upon the promises we've made to our middle-class families – and, just as importantly, to those striving to join our middle class.

To invest in them and to put their needs before those of the special interests. To make our state fairer for them and stronger for our future. And, to change the culture of Trenton so that it works for ordinary New Jerseyans.

The values we share will shape that final document.

A stronger state is a state that does more to invest in its people. A fairer state is a state which ensures all of its residents can be part of its progress.

We will continue to provide real property tax relief and meaningfully – and honestly – attack the core problems that have long vexed property taxpayers. And, we will continue to fight for middle-class tax fairness.

We're getting results and making progress.

We've relied upon reasonable revenue estimates and early indications are that we may, like last year, exceed them. I don't intend to stop our streak in Fiscal 2021.

Under this budget, we will also continue growing our surplus to a projected \$1.6 billion – triple the surplus of my predecessor's final budget proposal.

And, we will make another roughly \$300 million deposit into the rainy day fund – our second in as many years, and the first back-to-back deposits in 20 years.

It's not enough to have the resources to meet the challenges of today; we must ensure we can meet the unseen challenges yet to come.

A stronger surplus, and another payment into the rainy day fund, are important signs to New Jerseyans that we, like them, understand that we can't rush out and spend everything we have, without regard to future risks.

And, it sends an unmistakable signal to the credit-rating agencies that we will not follow the irresponsible ways of the past that led to 11-consecutive downgrades.

We've reduced our dependence on one-shot revenues. Those one-shots may help balance the books for one year, but always – always – lead to a mad scramble to close an even bigger hole the next. Today I propose bringing one-shots down to only eight-tenths of one percent of our budget – continuing our progress to build our state's fiscal house on a foundation of reliable and recurring revenues.

We're cutting back the raids and diversions that have been a key reason why so many residents don't trust us with their money in the first place. As with last year, the Affordable Housing Trust Fund will pay for affordable housing. We'll

build on last year's progress and keep even more in the Clean Energy Fund to support projects that counter the threat of climate change.

And, we will ensure that millions more remain at-the-ready to build the modern, next generation, 9-1-1 emergency services infrastructure, our communities need.

And, because of the work we've done together over our first two years to restore our state's fiscal standing, we're also able to fulfill our obligation by making a nearly \$4.9 billion total payment into our pension system.

But, I know our work is not done.

The Senate President and I agree, we need to do all we can to ensure the stability of our pension system. So, in addition to a \$794 million increase for Fiscal 2021, our administration will make an extra \$279 million payment into the pension system this current fiscal year.

This is a roughly \$1.1 billion increase in our overall pension payment. This administration will have put more back into the system in just three years than the preceding one did in eight.

We can keep this progress going, but only with recurring and sustainable revenues. And there is no better alternative than a millionaire's tax. It's the way we both ensure tax fairness for our middle-class and fairness to the dedicated rank-and-file women and men of our public workforce.

After all, the millionaire's tax is a matter of fairness to our middle-class homeowners and renters, our seniors, and the countless working families reaching to pull themselves up and into the middle class.

The property tax is the most unfair, regressive, and cruelest of taxes. A middle-class family in Merchantville or Milford or Moonachie, after all, pays a greater percentage of their income in property taxes than a millionaire anywhere else.

It's easy to see how our middle class can feel cheated. Their tax burden is real and, when put side-by-side with that of the wealthiest in our state, proves to be the exact opposite of fair.

It isn't the wealthy who bear the burden of our tax system – it's the middle class.

Asking the wealthiest 22,000 New Jerseyans to pay two cents more, in income tax, for every dollar they make over \$1 million, so we can provide nearly \$500 million more in property tax relief to New Jersey's families is simple fairness.

As I noted in my State of the State Address six weeks ago, the 400 wealthiest Americans now pay a lower tax rate than the nation's middle class, the first time this has happened in our nation's history.

By the way, the number of millionaires in New Jersey keeps growing every year, and I do not begrudge their financial success. I want them, and many more, to come and stay.

And, they will. Why? Because of proximity to the best job opportunities in America, to the best schools for their kids in America, and the best communities to call home in America.

There is not one iota of hard economic evidence that has proven the myth of millionaire tax flight, and, yet, I have heard from countless middle-class families and seniors, who are afraid that they may have to leave because of high property taxes.

They should be our focus in making New Jersey more affordable, and tackling income inequality. We go nowhere without our middle class, and right now, they're the ones getting squeezed.

Let's be clear – a millionaire's tax doesn't punish the rich; it lifts up the middle class and that's good for everybody.

So, I thank the Senate President and welcome his willingness to embrace a millionaire's tax in this budget. When we have tax fairness, we can continue our historic investments in our pension systems and in our middle-class families.

Let's secure hundreds of millions of dollars of constitutionally-dedicated property tax relief – for more school aid, for more Senior Freeze relief, for more and larger direct middle-class relief, to support more shared services, and to more fully secure the long-term stability of our pension system.

The millionaire's tax won't make us less competitive. It will allow us to continue fighting against high property taxes and allow us to become even more competitive.

We need to treat every discussion about spending as a family would around their kitchen table. And, we must properly invest in a way that will return dividends to our entire state and our taxpayers.

GOVERNOR'S MESSAGE

The evidence is clear: The steps we are taking are making a difference.

No other administration has done so much in its first two years to control property taxes, or to deliver more property tax relief.

In just our first two years of working together, we have achieved the first- and fourth-lowest year-over-year increases in property taxes on record. And, statewide property values have grown more in our first two years than at any point since the Great Recession.

We're helping families by protecting the single most-important investment most of them will ever make – their homes.

This hasn't happened by accident. It's happening because we're making critical investments in property tax relief for our communities – investments in our schools – investments to alleviate the other forces that drive up property taxes – investments that are making our communities stronger and fairer.

And, we're being honest with taxpayers – we're not going to defeat the decades-old, if not century-old, problem of property taxes with gimmicks, or in one fell swoop. But, we are making real progress and moving in the right direction.

This administration's approach, undertaken with your partnership, has been to combat – directly and consistently – the costs that drive property taxes higher in the first place.

The first budget I signed two years ago began what I pledged would be a ramping up of school funding to meet the needs of both our school districts and our property taxpayers.

Our public schools rank as the very best in the nation in large part because of our commitment to investing in classrooms in every community – in our highly talented students and our highly skilled educators and educational support professionals. School funding is an investment in our future.

But, just as important, school funding is property tax relief. Let's be absolutely clear – every new dollar in school funding is a new dollar of property tax relief. Every new dollar we provide is a dollar that doesn't have to come out of the pockets of property taxpayers.

Now is no time to let up. So, our budget proposes keeping us on our upward trajectory with an additional \$336 million investment in our K-through-12 classrooms for the upcoming school year. On Thursday, I'll visit the Bound Brook School District as we release our state aid amounts.

And, we'll invest an additional \$83 million in pre-K, allowing us to expand opportunities for an additional 3,000 children. Funding pre-K, specifically, is directly making our communities more affordable for thousands of young families. And, it is making communities more attractive to prospective homebuyers.

In just three years we will have restored nearly \$900 million in direct formula aid to our public schools – a nearly 11 percent increase. In just three years. And, every penny is property tax relief.

And, through reforms championed by Senate President Sweeney, those new school funding dollars are working more efficiently and effectively.

Our schools benefit, and our property taxpayers benefit. And, because of that, our future benefits.

As we properly fund the school funding formula, we know that some districts continue to face challenges. So, our budget also includes \$50 million to stabilize their finances without cutting vital student programs.

School taxes make up more than half of the average property tax bill in New Jersey, so there is urgency in our action. And, as we make up for the years of aid cuts and flat funding that preceded us, taxes in more than 250 school districts are stabilizing. And, as we continue to reinvest, that number will grow.

It bears repeating – school funding is property tax relief. It is the most aggressive way we can attack the single-largest root-cause of our high property taxes.

Although we, in this building, do not set property taxes, the decisions we make can relieve the strain they place on our families and seniors.

That's why I am so proud of the work our administration has undertaken over the past year to seek out hundreds of millions of dollars in health care savings alongside our public workforce.

I've said it before, our public workers are not the enemy. They are our neighbors. They are the women and men who make our communities, our schools, and our state function. And, they, too, are property taxpayers, and when we can

work together in partnership to ensure high-quality health care for them at a lesser cost to us all, it's the best kind of win-win.

And, this concept is at the heart of our work to provide Chapter 78 relief to our educators and ESPs, and we must deliver for them.

We are making real progress on health care. Even with inflationary cost pressures running rampant throughout the health care marketplace, overall spending on public employee health care across Fiscal 2020 dropped by \$300 million – more than nine percent.

But, the good news isn't just at the state level. For active local government employees enrolled in the State Health Benefits Program, premiums decreased 4.3 percent for the 2020 plan year. School districts enrolled in the School Employees Health Benefits Program saw an even bigger 4.5 percent drop in coverage rates for our educators and staff.

Health care costs continue to be one of the biggest drivers of local and school budget growth, and therefore one of the biggest drivers of property taxes. Lowering health care costs is property tax relief.

In Fiscal Year 2021, we aim to reduce budgeted amounts for state- paid health-care benefits by another \$174 million. This will be a significant achievement in the face of national trends, and the first time in memory that we have year-over-year-over-year reductions in the overall cost of health care.

And, we will be more aggressive than ever in directly controlling the costs of health care delivery. We will close gaps that incent the use of costly out-of-network providers, or which misclassify certain services so providers can reap a big payday. We will no longer tolerate providers who send out big bills for reimbursement because they know the insurance company will settle by just sending a big check in return.

These seemingly small steps, alone, can save us, literally, tens of millions of dollars.

We're not simply cutting costs, we're cutting out the drivers of cost-increases while ensuring quality services.

It is in this same vein that we are so committed to promoting shared services. The goal should not be to deliver fewer services, or diminished services. Our goal should be to ensure the high-quality services that our people need, and expect, in a way that is more efficient and effective.

With the leadership of Lieutenant Governor Oliver and our shared services "czars," Mayors Nic Platt and Jordan Glatt, we recently passed the milestone of 1,000 shared service agreements. This budget will support their work and further our progress.

So, that is why our budget will maintain our \$10 million investment to keep bringing local governments and school districts together to share services.

We are also creating a new Grants Management Office – co-located in my office here and in our state office in Washington – to marshal resources and help county and local governments bring home more federal grant dollars to further alleviate the property tax burden.

One reason why we've been dead last in returning federal dollars to our state is because we've never had a whole-of-government approach to get them. That will change.

And, our budget will extend our commitment to direct property tax relief for middle-class families through the Homestead benefit and for our seniors through the Senior Freeze. And, I thank, in particular, Speaker Coughlin for his commitment to this.

In doing each of these things – funding our public schools and delivering direct property tax relief – providing high-quality health benefits to our public employees, educators, and educational support professionals at a lower cost both to them and to taxpayers – and, making it not only possible, but easier for communities to adopt shared services and better compete for federal grants – we are being more effective in combating our property tax crisis than any administration that has come before.

The two leaders behind me have made many of these efforts their key priorities, as have most of you. And, in partnership, we will continue, step by step, to challenge the property tax crisis that has been atop our state's to-do list for well over a generation.

When we do these things, we will continue to make New Jersey not only a go-to place for business, but a come-to place. We're already competing and winning. That's a fact.

GOVERNOR'S MESSAGE

Our economy is performing well, in large part, because we are keeping our promises and making transparent and stable investments.

The Census Bureau tracks the creation of what it calls “high-propensity business applications” – the newly-born businesses it sees as growing into enterprises with employees and payrolls, which is an important indicator for future economic growth, and one we track closely.

Throughout 2019, high-propensity business applications in New Jersey grew every quarter. The fourth quarter, alone, grew by 3.4 percent over the fourth quarter of 2018, which had, in turn grown by 3.5 percent over the fourth quarter of 2017.

And, our fourth quarter 2019 growth rate was nearly double that across the rest of the entire Northeast – New Jersey has become more attractive to – and supportive of – business creation than both Massachusetts and New York.

And, we far outpaced the national growth rate of 2 percent.

This is a strong indicator that businesses see the advantages of New Jersey. It's a strong indicator that our economy will continue to create jobs in 2020. It's a strong indicator that our policies are working.

This is why our budget will continue to invest in making New Jersey more competitive for businesses. In workforce development through Jobs NJ and in our successful apprenticeship programs. To ensure expedited permitting so more private investment, such as that from the offshore wind industry, can flow into our state to grow jobs and new opportunities. And, in the work of the Commission on Science, Innovation, and Technology, so we can prove ourselves worthy as the heirs of Thomas Edison and Bell Labs, and fully reclaim our place as the true home of the global innovation economy.

And, let's also acknowledge that our work to deliver property tax relief by investing in our schools and communities also benefits our businesses, especially the small businesses in our downtowns and the startups that have outgrown their incubator and are looking to build their permanent homes.

And, at the same time, there are large corporations in New Jersey that do not provide health benefits to their employees and their families, or who offer policies that their employees cannot afford. When these families turn to Medicaid, it's our taxpayers who pick up their health-care costs. New Jersey pays an average of \$1,000 per person – without any contribution by their employers. Our budget will require these corporations to pay their fair share through a Corporate Responsibility Fee.

Every page of our budget is filled with investments that will make our state stronger and fairer. I could name them all, but here are just a few.

Beginning the work of our new Office of Health Care Affordability and Transparency to lower the costs of health care for millions of our residents and build upon the successful out-of-network reforms championed by Speaker Coughlin.

Expanding eligibility for the Pharmaceutical Assistance for the Aged and Disabled – or, PAAD – and Senior Gold programs to thousands more New Jerseyans.

Investing an additional \$200 million to further lower the costs of health insurance for individuals purchasing plans through the ACA

Fully funding women's health care and family planning.

Maintaining our data-driven and whole-of-government fight against our opioid scourge.

Continuing the partnerships the First Lady has built to meaningfully combat the infant and maternal mortality disparities among our communities of color.

Investing in programs and services for youth so they don't get entangled in the juvenile justice system.

Fully funding the Amistad Commission.

Expanding the size of the Earned Income Tax Credit and making thousands more young adults eligible.

Helping ensure safe learning environments for our kids and communities of faith.

For the first time, exempting combat pay earned by our active-duty military men and women from taxes.

Making a down-payment for our communities to replace lead water-service lines and modernize our infrastructure.

And, building the futures of our college students through the Garden State Guarantee. The Garden State Guarantee will build upon the already successful model of the Community College Opportunity Grant program, and provide the first-two years of study at one of our four-year public colleges and universities tuition-free to thousands of eligible students. Tomorrow, I will visit William Paterson University to open a deeper discussion about this new initiative.

And, with the public health challenges we face, from the tragedy suffered at Wanaque to today's rightful concerns over the coronavirus, our budget will continue to invest several million dollars to partner with local health authorities to support infectious disease control.

I also call, once again, for you to join me in raising the cost of handgun permits for the first time since 1966. This is not about the 2nd Amendment. This is about public safety. These fees are meant to cover the costs of State Police background checks on prospective gun buyers – and, right now, they don't come close to doing so.

It's still just \$2 to get a handgun permit. It's still more expensive to buy a dog license. That's entirely backwards. Let's fix this, so we can keep guns out of the wrong hands.

Our budget will continue our work fixing NJ TRANSIT, increasing our investment by another \$132 million – to a record total of nearly \$600 million.

This increase will help train an additional 98 new locomotive engineers, fund service enhancements at both Newark and New York Penn Stations, and start a new Electric Bus program, among much more. It will also protect NJ TRANSIT's commuters from a fare hike for a third straight year.

This record investment will dovetail with the mission and values of NJ TRANSIT's forthcoming ten-year strategic and five-year capital plans.

This is an investment in NJ TRANSIT, but it is, even more, an investment in our commuters and our communities. It is an investment in giving New Jerseyans the freedom to leave their cars at home and to take our trains and buses.

And, with the federal government's long-awaited green-lighting of the Portal Bridge replacement, we are finally moving forward in alleviating one of NJ TRANSIT's commuters' other headaches – wondering if a cranky, obsolete, century-old bridge is going to hold it together for another day.

The Portal Bridge is just one part of a much larger project. One new span doesn't in any way eliminate the need for new tunnels under the Hudson and it in no way signals our retreat in the fight to get Gateway done.

And, by the way, it bears repeating that had it not been canceled, the ARC Tunnel would today be open and serving our commuters. That ghost continues to haunt us.

But, make no mistake, the Portal Bridge decision is a big victory for our commuters – and I thank our federal delegation, in Congress, for their tireless help. It is also a big victory for the building trades. And, it is a big victory for a state whose economic lifeblood can only flow with modern infrastructure.

By now I bet you thought I was going to get through this speech without mentioning tax incentives. But this is too important. This is about who we stand with and what we stand for. This is about how we create jobs and for whom we create jobs.

These are our choices. Are we on the side of protecting taxpayers' hard-earned money, or with the millions of dollars spent with no oversight and, too often, with no results?

Are we on the side of small businesses, and the entrepreneurs, women, veterans, and people of color who want to start a business, or do we only welcome the big fish and the well-connected?

Are we on the side of communities and residents, or do we reward those who ignore them?

Are we on the side of transparency and accountability, or do we close our eyes to those, gaming the system?

We should all agree that a targeted program with strong compliance standards is a good thing. We should all agree that we need a program whose focus is on expanding our economy, not rewarding special interests.

And, we should all agree that just as much as we need strong compliance standards, we must have clear annual overall caps in place. Blank checks are bad policy. No family budgets that way. Neither should we.

As I've said countless times, most companies are good corporate citizens who play by the rules. But some are not. We are seeing progress in the name of our taxpayers in getting back some of the millions of dollars we now know were inappropriately awarded – the first \$11 million of some \$500 million being investigated.

GOVERNOR'S MESSAGE

I am committed to not reliving the mistakes of the past – the mistakes that put huge tax breaks for the well-connected before tax breaks for the middle class.

And, let's be perfectly clear – billions given away in open-ended corporate tax breaks will be billions we will not have to make our state more affordable for both residents and businesses.

Tax incentives cannot be about rewarding special interests. They must be about making our state more competitive, creating jobs, and growing the next great wave of New Jersey-based companies. Period.

I am pro-jobs, pro-growth, and pro-accountability. That is why I am for reforming a failed incentives system, just as I am for reforming our ethics laws – to let more light shine in. When we reject transparency, in any forum, bad deals are made and taxpayers are hurt.

The public needs to see, unmistakably, that we work for them, and not the other way around. And, I ask you to join me in this cause.

The goal isn't to win for the sake of politics, but to win for the sake of our future.

That's also an apt way of thinking about our first two years. Two years speaking to our core value, that New Jersey is at its strongest when it is at its fairest. Two years speaking to the need for us to focus not on gimmicks, but on long-term and sustainable solutions, for real property tax relief. Two years speaking to the need to change the culture of Trenton, from one that shields the wealthy and special interests, to one that secures progress for our entire New Jersey family.

We're doing what no one thought possible. We're making real progress against high property taxes, restoring New Jersey's fiscal standing, growing our economy, repositioning our state for success, and, at the same time, investing in our future.

Here we are, with a record of unmistakable progress on all fronts, and with a budget that promises to keep us moving forward.

Thank you, all, very much. May God continue to bless the great State of New Jersey and the United States of America.

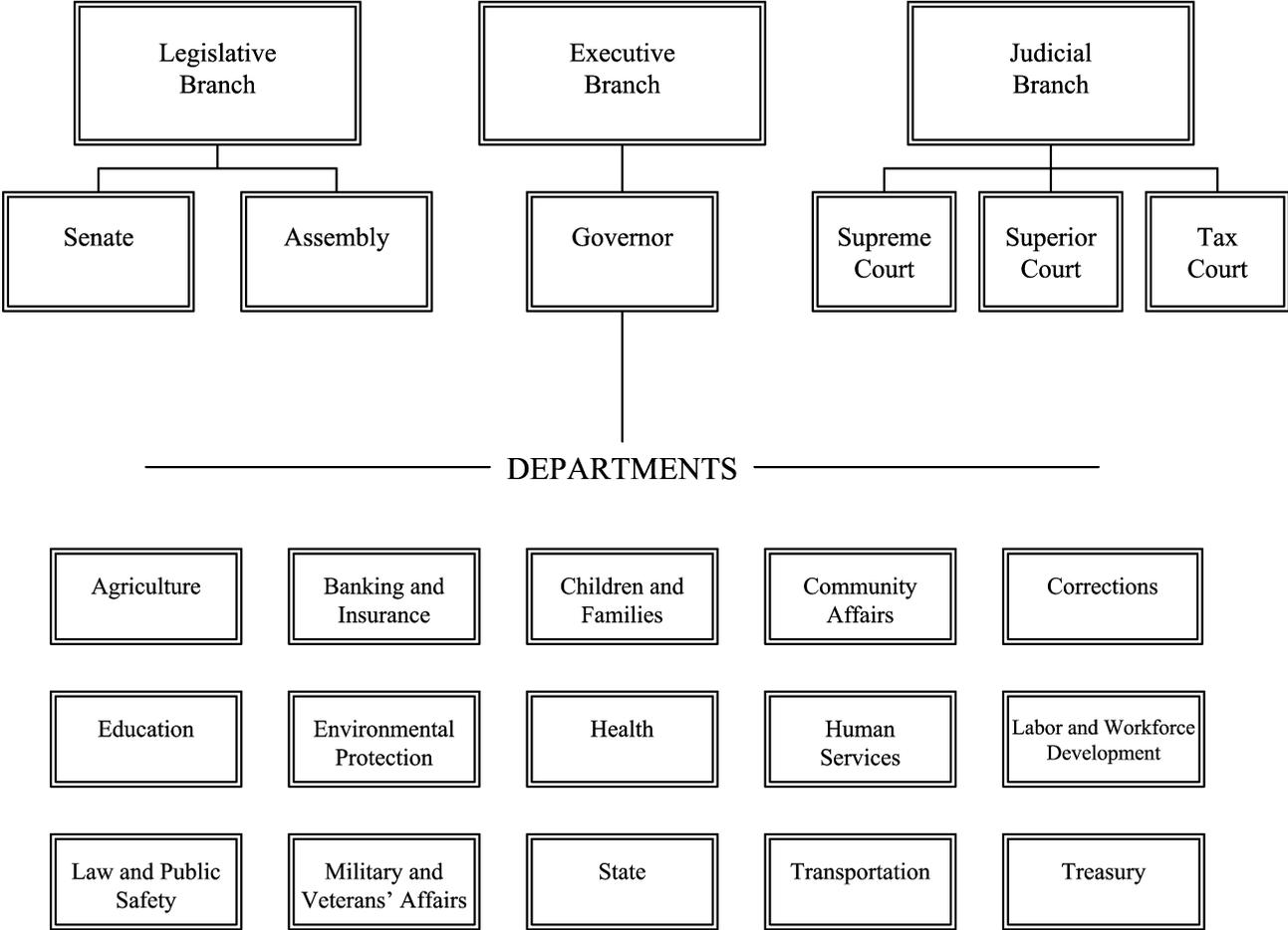


General Information

More information can be found in the Reader's Guide to the Budget on the Treasury/OMB website:
www.state.nj.us/treasury/omb

In addition to the evaluation data contained in this document, Core Missions and Key Performance Indicators for departments will be available on the Governor's Performance Center website:
<https://yourmoney.nj.gov/transparency/performance/>

ORGANIZATION OF NEW JERSEY STATE GOVERNMENT



NOTES

Glossary of Budget Terms

TERM	DESCRIPTION
ADDITIONS, IMPROVEMENTS AND EQUIPMENT	Additions and improvements which are less than \$50,000 in cost and the purchase of equipment such as vehicles, office equipment and information processing equipment.
ADJUSTED APPROPRIATION	The total of an original appropriation, all supplemental appropriations, certain allotments from interdepartmental appropriations and other budgetary adjustments.
ALL OTHER FUNDS	Revenues, other than federal, that are not anticipated as resources to support the annual State budget. Upon receipt, these funds become appropriated, as provided by the language of the Appropriations Act.
ALL OTHER POSITION	A position specifically approved and funded by non-State, non-federal sources in a salary object account.
ALLOTMENT	An allocation of a portion of an appropriation to make it available for encumbrance or disbursement by the agency to which appropriated, and usually applying to a period of time; e.g., a calendar quarter.
ANTICIPATED RESOURCES	The sum of the estimated surplus at the end of the prior fiscal year, together with all estimated revenues for the General Fund from all sources, including taxes and license fees, other miscellaneous departmental and interfund transfers.
ANTICIPATED REVENUE	Estimated revenues to be realized in any fiscal year that have been anticipated as General Fund resources to support the appropriations made, or undesignated fund balance projected, in the annual Appropriations Act.
APPROPRIATED REVENUE	Revenues not previously anticipated or budgeted, which upon receipt increase appropriation balances as authorized in the Appropriations Act, and from which agencies may incur obligations or make expenditures for specific purposes.
APPROPRIATION	The sum of money authorized by an act of the Legislature for expenditure for a particular fiscal year.
BLOCK GRANT	An amount allotted by the federal government to the State to be allocated to a particular program area within general guidelines as the State determines.
BOND	A funding tool representing a written promise to pay a specific sum of money in the future plus interest.
BOND FUND	A fund that receives proceeds from the issuance of bonds, and from which all proper expenditures for the purposes for which the bonds were authorized are paid.
BUDGET REQUEST	The request of each spending agency for an appropriation or permission to spend during the next ensuing fiscal year.
CAPITAL CONSTRUCTION	Funds budgeted for: 1) Acquisition of, or option to buy, land and right-of-way and existing improvements therein, regardless of cost, 2) New buildings and structures not attached to or directly related to any existing structures, regardless of cost, 3) Projects whose estimated cost, including land, planning, furnishing, and equipping, is usually \$50,000 or more, regardless of the construction involved, with a useful life of at least ten years, 4) Any addition or improvement that is \$50,000 or more.
CATEGORICAL GRANT	An amount allotted by the federal government to the State to be allocated to a particular program area for a specific purpose or mandate of the federal government
CONTINGENCY APPROPRIATION	An appropriation to provide for unforeseen expenditures or for anticipated expenditures of uncertain amounts.
DEBT SERVICE	Resources to finance payment of general long-term debt principal and interest.
DEDICATED FUND	A fund normally contained in the General Fund, consisting of resources owned by the State, the use of which is constrained, either by statutory specification, dedication or other restriction, or a particular purpose or program.
DIRECT STATE SERVICES	General operating costs of State government, including programs providing services directly to the public.
DISBURSEMENT	Payment of money out of any public fund or treasury (See also EXPENDITURE).
ENCUMBRANCE	A reservation of funds for future payment (disbursement) to liquidate an obligation incurred, usually supported by the issuance of a purchase order or the execution of a contract calling for payment in the future.
ENDING BALANCE	The amount of funds remaining in an account or fund at the end of the fiscal year.
EVALUATION DATA	The quantitative expression of the end products produced or other elements involved in the work of an organization.
EXCESS RECEIPTS	Any receipts collected by an agency in excess of anticipated resources in the annual Appropriations Act. Such excess receipts may either be appropriated for the agency's use or credited to the General Fund undesignated fund balance.
EXPENDITURE	Denotes charges incurred, whether paid or unpaid, thus including both disbursements and liabilities
FEDERAL POSITION	A position specifically approved and funded by federal funds in a salary object account.
FRINGE BENEFITS	Payments made by the State for retirement, social security, health and dental insurance contributions, workers' compensation, unemployment, survivors' and disability insurance.
FUND BALANCE -- DESIGNATED	Unexpended and unencumbered appropriations that are authorized to continue into the subsequent fiscal year (See also REAPPROPRIATION).
FUND BALANCE -- UNDESIGNATED	Fund equity unrestricted and available for appropriation.

GENERAL INFORMATION

TERM	DESCRIPTION
GRANTS-IN-AID	Grants-in-Aid are generally the second largest portion of appropriations and consist of payments to individuals and public or private agencies for benefits to which a recipient is entitled by law or for the provision of services on behalf of the State.
IN BUT NOT OF	Article V, Section IV, paragraph 1 of the New Jersey Constitution requires all executive and administrative offices, departments, and instrumentalities of the State government to be allocated by law among and within not more than twenty principal departments. For the purposes of complying with this provision, the enabling legislation for authorities, commissions, colleges and universities may establish them "in but not of" a department, but these entities are independent of any supervision and control by the department or by any board or officer thereof.
INTERDEPARTMENTAL ACCOUNTS	A group of accounts to which are appropriated funds for payment for or on behalf of all State agencies of rent, employee benefits and contingency funds or for certain specified purposes.
ITEM OF APPROPRIATION	The spending authority identified by an organization code, appropriation source and program code, unique to the item, and may include a number of object accounts within a program.
LANGUAGE RECOMMENDATIONS	Language located at the end of a statewide program, department or in the General Provisions section, that provides specific spending or budget authority and/or places limitations on such authority.
LAPSE	The automatic termination of an appropriation. At the end of the Appropriation period, any unexpended or unencumbered balances revert to the fund from which it was originally appropriated.
LINE OF CREDIT	Competitively bid, low interest cost funding for the procurement of the State's short term (3 years) equipment needs, specifically computers, furniture and vehicles.
LINE ITEM	Any single line account for which an appropriation is provided. Includes appropriations made to specific object accounts.
MAINTENANCE AND FIXED CHARGES	Routine repair and maintenance of buildings, property and equipment required to keep them in operation and prevent deterioration.
MATCHING FUNDS	Provisions in a grant agreement that require the government or agency receiving the grant to commit a certain amount of funding to a program before funding is made available by the granting authority.
MATERIALS AND SUPPLIES	Tangible consumable items used for operations, but not for the maintenance of machinery or equipment.
NON-STATE FUND (ACCOUNT)	Any fund or account with proceeds arising from a source other than the General Fund, typically from federal or foundation grants, pooled inter-governmental funds, or service charges.
OBJECT CATEGORY	A group of objects of similar character categorized for classification purposes.
OBJECTIVE	A statement of specific, intended, measurable accomplishments related directly to the need, problem or opportunity the services to the client are designed to address.
OBLIGATION	An amount the State may be required legally to meet out of its resources, including actual liability and unliquidated encumbrances.
ORIGINAL APPROPRIATION	An appropriation made in the annual Appropriations Act.
PERSONAL SERVICES	An appropriation supporting State employee salaries and wages and other employee benefits.
PROGRAM	A group of related activities directed toward the accomplishment of an identifiable objective; it is established by statute, executive order or departmental order; it is distinguishable by its clientele, organization, subject matter or process.
PROGRAM CLASSIFICATION	An operating program function, consisting of closely related activities with an identifiable objective or goal.
REAPPROPRIATION	The appropriation in any fiscal year of funds remaining unexpended at the end of the preceding fiscal year that are specifically appropriated in the succeeding fiscal year (See also FUND BALANCE).
RECEIPTS	A general term for cash received, which may either satisfy a receivable, be a conversion of another asset or a refund of a prior expenditure; it may also represent revenues earned or realized.
RECEIVABLE	An anticipated sum of money that is treated as revenue because it has been earned and is due. Such sums are available for expenditure by State agencies when properly authorized.
REVENUES	Funds received from taxes, fees or other sources that are treated as State income and used to finance expenditures.
REVOLVING FUND (ACCOUNT)	A fund or account established to finance (1) State activities of a business or commercial nature or (2) the operation of an intragovernmental service agency or enterprise that generates receipts from the sale of commodities or services.
SERVICES OTHER THAN PERSONAL	The cost of purchased services that are primarily non-personal or of a contract nature under which no employer-employee relationship is established.
SPECIAL PURPOSE APPROPRIATION	A type of appropriation that includes monies for personal services, non-personal services, maintenance, etc., but which is appropriated as a single amount and which does not specify amounts for individual objects of expenditure.
SPECIAL REVENUE FUNDS	Funds used to account for resources legally restricted to expenditure for specified purposes.

GENERAL INFORMATION

TERM	DESCRIPTION
STATE AID	State Aid generally is the largest portion of appropriations and includes payments to or on behalf of local government entities, including counties, municipalities and school districts, to assist them in carrying out their local responsibilities.
STATE POSITION	A position specifically approved and funded by a State appropriation in a salary object account.
STATE TREASURY	All funds deposited to the credit of the State. It includes the General Fund and funds from all other sources.
STATEWIDE PROGRAM	A functional grouping of related program classifications that contribute to satisfaction of some broader objective.
STATUTE	A written law enacted by a duly organized and constituted legislative body.
SUPPLEMENTAL	An appropriation made in addition to the annual Appropriations Act.
SURPLUS	Revenue exceeding expenditures over a given period of time. (See also FUND BALANCE).
TRANSFER	A transaction that reallocates all or part of any item of appropriation to another item of appropriation.
TRUST AND AGENCY FUNDS	Funds used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

GENERAL INFORMATION

THE STATE BUDGET PROCESS

The State Budget Process is designed to produce budget decisions based on performance, with a focus on furthering agency core missions. The State budget cycle is on a fiscal year basis, extending from July 1 to June 30 of the following year.

New Jersey's budget process is comprehensive and inclusive, involving every department and agency in the Executive Branch, the Legislature, the Judicial Branch, and through a series of public hearings, the citizens of the state. The budget process begins in the summer prior to the following fiscal year with preliminary projections of revenues and expenditures, which are the basis for development of budget and performance targets for each branch, department and agency. Individual departments and agencies are required to prepare a funding plan or strategy for operating within the established preliminary budget level in the following fiscal year, which funding plan or strategy includes an analysis of the costs, benefits and priorities of every program. The funding plans and strategies are the foundations for revenue and spending decisions that are ultimately incorporated into the Governor's budget recommendations.

The New Jersey Statutes contain provisions concerning the budget and appropriations process. On or before October 1 in each year, each Department, Board, Commission, Office or other Agency of the State must file with the Director of the Office of Management and Budget (Budget Director) a request for appropriation or permission to spend specifying all expenditures proposed to be made by such spending agency during the following fiscal year. The Budget Director then examines each request and determines the necessity or advisability of the appropriation request. On or before December 31 of each year or such other time as the Governor may request, after review and examination, the Budget Director submits the requests, together with his or her findings, comments and recommendations, to the Governor. It is then the responsibility of the Governor to examine and consider all requests and formulate his or her budget recommendations.

The Governor's budget message is presented by the Governor during an appearance before a joint session of the State Legislature which, by law, is convened on or before the fourth Tuesday in February in each year. The Governor's budget includes the proposed complete financial program of the State government for the next ensuing fiscal year, and sets forth in detail each source of anticipated revenue and the purposes of recommended expenditures for each spending agency (N.J.S.A. 52:27B-20). The financial program included in the Governor's budget is then subject to a process of legislative committee review. After completion of the legislative committee review process, the budget, in the form of an appropriations bill, must be approved by the Senate and Assembly and must be submitted to the Governor for review.

Upon submission of the appropriations bill enacted by the State Legislature, the Governor may approve the bill, revise the estimate of anticipated revenues contained therein, delete or reduce appropriation items contained in the bill through the exercise of his or her line-item veto power, or veto the bill in its entirety. As with any gubernatorial veto, such action may be reversed by a two-thirds vote of each House of the State Legislature. In addition to anticipated revenues, the annual Appropriations Act also provides for the appropriation of non-budgeted revenue, including primarily federal funds, to the extent such revenue may be received and permits the corresponding increase of appropriation balances from which expenditures may be made.

During the course of the fiscal year, the Governor may take steps to reduce State expenditures if it appears that revenues have fallen below those originally anticipated. There are additional means by which the Governor may ensure that the State does not incur a deficit. Under the State Constitution, no supplemental appropriation may be enacted after adoption of an Appropriations Act except where there are sufficient revenues on hand or anticipated, as certified by the Governor, to meet such appropriation.

If a general appropriation law is not enacted prior to the July 1 deadline, under Article VIII, Section 2, para. 2 of the State Constitution, no monies can be withdrawn from the State Treasury.

Capital Budgeting Process

The annual review process for capital spending requests and recommendations, which runs somewhat parallel to the process described above, has several stages. All State departments requesting capital funding must submit a seven-year Capital Improvement Plan to the New Jersey Commission on Capital Budgeting and Planning. Each capital project request must include an operating impact statement. The Commission schedules public hearings, analyzes the capital requests and recommends projects to the Governor. The Governor, in turn, recommends projects in the proposed budget.

More detailed information may be found on the Office of Management and Budget (OMB)'s website at www.state.nj.us/treasury/omb/.

STATE FINANCIAL POLICIES

Basis of Budgeting

The basis of budgeting in New Jersey is in accordance with generally-accepted accounting principles (GAAP) for governments as it applies to fund financial statements prescribed by the Governmental Accounting Standards Board (GASB). The State's budgetary basis differs from that utilized to present financial statements such as the State's audited Comprehensive Annual Financial Report (CAFR) in that encumbrances are recognized as expenditures and transactions are only for the current fiscal year. In accordance with Governmental GAAP, revenues are estimated and recognized when they can be accrued; that is, when they become both measurable and available to finance expenditures of the fiscal period for governmental funds. Appropriations are recommended at a level sufficient to recognize all accrued expenditures applicable to the fiscal period.

Budgetary Control

Pursuant to Article VIII, Section II, para. 2 of the State Constitution, no money may be drawn from the State Treasury except for appropriations made by law. In addition, all monies for the support of State government and all other State purposes, as far as can be ascertained or reasonably foreseen, must be provided for in one general appropriations law covering one and the same fiscal year. No general appropriations law or other law appropriating money for any State purpose may be enacted if the amount of money appropriated therein, together with all other prior appropriations made for the same fiscal year, exceeds the total amount of revenue on hand and anticipated to be available for such fiscal year, as certified by the Governor.

Budgetary control is maintained at the item of appropriation level, meaning the spending authority associated with an organization, appropriation source and program classification. Internal transfers within programs are permitted subject to certain constraints, while transfers between programs or above designated levels require the approval of the Legislature. When appropriations are based on anticipated revenues, spending authority is reduced by the amount of any deficiency in actual revenues. Other budget changes not authorized by specific language provisions must be approved by the Legislature.

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

Balanced Budget

A balanced budget must be established at the start of the fiscal year (July 1) and be maintained at the end of the fiscal year. New Jersey's Constitution states in Article VIII, Section II, para. 2: "No general appropriation law or other law appropriating money for any State purpose shall be enacted if the appropriation contained therein, together with all prior appropriations made for the same fiscal period, shall exceed the total amount of revenue on hand and anticipated which will be available to meet such appropriations during such fiscal period, as certified by the Governor."

The determination of a balanced budget is based on the revenues and expenditures for all funds according to GAAP. The official revenue estimate for the fiscal year is established and certified by the Governor. If the Appropriations Act enacted by the Legislature exceeds the revenue estimates plus any available surplus, the Governor has the authority and the duty either to veto the entire appropriations bill or to reduce the amount of appropriations to produce a budget that is balanced against the total resources available.

The long term goal is to achieve a structural balance between ongoing operating expenditures and revenues. The rate of growth in direct services provided by the State should be constrained, both in total appropriations and in its relative portion of the State budget. The overarching goal is to identify the most efficient way to provide current services or to expand services within the current budgeted resources. Fund balances may be used to support unforeseen or unpredictable expenditures that require supplemental appropriations. If budget adjustments are necessary to maintain balance during a fiscal year, actions are typically implemented by OMB acting at the direction of the State Treasurer and the Governor.

GENERAL INFORMATION

HOW THE BUDGET IS ORGANIZED

The budget is divided into major sections as described below:

The **Governor's Budget Message** describes in general terms the policies and new initiatives, as well as the reductions and efficiencies in the Governor's budget. The Governor's Message generally includes a description of the state's economic situation and the expected impact of projected economic trends on the state's fiscal condition. The Governor's Message may also include broad programmatic goals for each of the individual State departments or major segments of the government, as well as policy directions for the upcoming fiscal year.

The **Summaries of Appropriations** section includes a selection of tables and charts designed to summarize the Governor's recommendations.

The **Summaries of Revenues, Expenditures and Fund Balances** section provides information on the revenue and expenditure assumptions incorporated in the Governor's budget recommendations, and the resulting fund balances for all funds maintained by the State.

The **Department and Branch Recommendations** section is the largest section of the budget and includes the greatest detail on proposed appropriations. It is divided into categories based on the source and use of appropriations, which is then organized by governmental branch and sorted in alphabetical order by agencies or executive departments. The major subdivisions of this section are described in detail in the Reader's Guide to the Budget, found at www.state.nj.us/treasury/omb.

The **Capital Construction and Debt Service** section of the budget depicts the amounts necessary to pay principal and interest due on capital projects financed by general obligation bonds of the State. The primary method for financing capital projects is through the sale of bonds. No debt can be issued by the State without approval by a majority of the legally qualified voters. This section also includes a brief description of the active bond issues financed by current debt service appropriations.

The **General and Federal Funds Language Provisions** subdivision of the budget establishes authority beyond the specificity of the detailed line-item budgets for both general and federal funds. These provisions apply to broad areas of the budget, such as entire funds or appropriations in general, and in some cases mandate additional administrative requirements related to the enactment of the budget. These Language provisions also authorize adjustments for reorganizations and corrections to the Appropriations Act after its enactment.