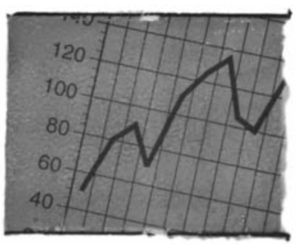

ANALYSIS OF THE NEW JERSEY BUDGET

INTERDEPARTMENTAL ACCOUNTS

FISCAL YEAR 2014 - 2015

PREPARED BY OFFICE OF LEGISLATIVE SERVICES
NEW JERSEY LEGISLATURE • May 2014

NEW JERSEY STATE LEGISLATURE

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Questions or comments may be directed to the OLS State Government Section (609-847-3890) or the Legislative Budget and Finance Office (609-847-3105).

Interdepartmental Accounts

Budget Pages....... C-7, C-16, C-27, D-421 to D-436

Fiscal Summary ($000)

	Expended FY 2013	Adjusted Appropriation FY 2014	Recommended FY 2015	Percent Change 2014-15
State Budgeted	$3,755,858	$4,131,644	$4,511,984	9.2%
Federal Funds	$0	$0	$0	—
Other	$31,570	$59,133	$52,513	(11.2%)
Grand Total	$3,787,428	$4,190,777	$4,564,497	8.9%

Personnel Summary - Positions By Funding Source

	Actual FY 2013	Revised FY 2014	Funded FY 2015	Percent Change 2014-15
State	0	0	0	—
Federal	0	0	0	—
Other	0	0	0	—
Total Positions	0	0	0	—

FY 2013 (as of December) and revised FY 2014 (as of January) personnel data reflect actual payroll counts. FY 2015 data reflect the number of positions funded.

Link to Website: http://www.njleg.state.nj.us/legislativepub/finance.asp

Highlights

Property Rentals, Insurance, and Utilities

- The FY 2015 Governor's Budget recommends a reduction of $10.016 million in Property Rentals, Insurance, and Utilities. Property rental appropriations increase by $11.312 million, primarily due to an increase of $13.330 million in annual debt service for Greystone and Marlboro Psychiatric hospitals and a decline of $2.5 million in "direct" rent funded from non-State sources, which is offset by a $5.277 million reduction in existing and anticipated lease costs. The appropriation for the Tort Claims Liability Fund decreases by $6.5 million under the assumption that the supplemental funding required in FY 2014 will not be needed in FY 2015. In addition, the appropriation for the Medical Malpractice Self-Insurance Fund for Rutgers, Rowan, and University Hospital decreases by $14.7 million under the assumption that the supplemental funding required in FY 2014 will not be needed in FY 2015.

Aid to Independent Authorities, Capital Projects

- The FY 2015 Governor's Budget recommends a reduction of $38.372 million in appropriations to fund debt service on bonds issued by independent authorities as well as operating support in certain cases. The most significant changes are reductions in the amounts payable for debt service ($2.3 million) and operating costs for the New Jersey Sports and Exposition Authority (NJSEA) ($32.303 million). The recommended operating subsidy for the NJSEA is $15 million. In addition, the FY 2014 appropriation was the final debt service payment on outstanding Designated Industries Economic Growth and Development bonds resulting in a decrease of $2.9 million.

- Debt service on New Jersey Building Authority bonds is increased by $65.3 million. The FY 2014 appropriation was lowered by restructuring savings.

- The FY 2015 Governor's Budget recommends maintaining a $10 million appropriation for Life Safety, Emergency, Projects-Statewide, but by renaming the appropriation Life Safety, Emergency, <u>and IT</u> Projects-Statewide expands its uses to include IT projects.

- The FY 2015 Governor's Budget proposes to appropriate $15.82 million in FY 2014 and $9.2 million in FY 2015 for Statewide Capital Projects from the Clean Energy Fund to pay for energy efficiency projects. The FY 2014 appropriation, which has not yet been authorized by the Legislature, will not result in increased spending, but will instead permit a lapse of unexpended prior years' General Fund appropriations.

Pensions

- The FY 2015 Governor's Budget provides total combined appropriations in FY 2015 of $2.25 billion in employer contributions to the defined benefit retirement systems. As the fourth annual payment under P.L.2010, c.1, this total equals 4/7 of the actuarially required contribution and is $668 million, or 42 percent, higher than the FY 2014 contribution. About $830.9 million of these appropriations are budgeted in

Highlights (Cont'd)

Interdepartmental Accounts and they increase by $222.7 million in FY 2015 above the FY 2014 adjusted appropriation, and $244.4 million above revised FY 2014 costs which reflect the impact of the 2013 pension systems actuarial re-evaluation. Please refer to the background paper entitled, Impact of 2013 Pension Re-evaluation for a summary of the re-evaluation and a full accounting of the revisions.

Proposed FY 2015 State-Administered Retirement System Contributions			
System	**Gross Contribution**	**Deferred per P.L.2010, C.1**	**Minimum 3/7th Contribution**
PERS	$ 1,058,157,699	($ 453,496,157)	$ 604,661,542
PFRS	$ 414,316,949	($ 177,564,407)	$ 236,752,542
SPRS	$ 108,904,703	($ 46,673,444)	$ 62,231,259
JRS	$ 44,334,504	($ 19,000,502)	$ 25,334,002
TPAF	$ 2,311,580,663	($ 990,677,427)	$ 1,320,903,236
Totals	$ 3,937,294,518	($1,687,411,936)	$ 2,249,882,582
Source: Division of Pensions and Benefits			

Health Care Benefits

- The FY 2015 Governor's Budget recommends total appropriations of $1.399 billion to fully fund health care benefits for active State employees and employees of institutions of higher education in FY 2015. This represents a reduction of $5.645 million, or 0.4 percent, for medical, prescription drug, dental, and vision coverage. This reduction was achieved by offsetting the gross cost increase with $105.475 million growth in premium based employee contributions and $5.512 million in other savings. Absent the increase in employee contributions, health care benefits for State active employees and employees of institutions of higher education would have increased by $99.83 million, or 7.1 percent.

Highlights (Cont'd)

FY 2015 Governor's Budget Recommendation Summary of Changes, State Health Benefits With Offset ($000)					
	FY 2014 Adjusted Appropriation	**Gross Change**	**Employee Contribution Offset**	**Fringe**	**FY 2015 Recommendation**
State Employees Health Benefits DSS/GIA	$ 1,074,960	$ 75,430	$ (79,467)	$ (4,315)	$ 1,066,608
State Employees Prescription Drug DSS/GIA	$ 293,412	$ 32,043	$ (26,008)	$ (1,197)	$ 298,250
State Employees' Dental DSS/GIA	$ 36,233	$ (1,831)	$ 0	$ 0	$ 34,402
State Employees' Vision DSS	$ 1,000	$ (300)	$ 0	$ 0	$ 700
Total	**$ 1,405,605**	**$ 105,342**	**$ (105,475)**	**$ (5,512)**	**$ 1,399,960**
Total without offset	$ 1,405,605	$ 105,342	$ 0	$ (5,512)	$ 1,505,435

Post Retirement Medical Benefits

- The FY 2015 Governor's Budget proposes total appropriations of $1.695 billion for Post Retirement Medical Benefits (PRM), a net increase of $137 million, or 8.8 percent above FY 2014 adjusted appropriations. According to the Office of Management and Budget, the gross cost increase in post retirement medical costs was $233.476 million. The FY 2015 Governor's Budget proposes to offset $96.4 million in higher costs with surpluses in the State health benefits funds. Please see the Significant Changes section of this analysis for details of the reductions in the post retirement medical accounts in the Interdepartmental Accounts budget.

FY 2015 Impact of Use of Health Benefits Funds Surplus on Post Retirement Medical Accounts ($000)				
Department	**FY 14 Adjusted Appropriation**	**Gross Increase**	**Use of Surplus**	**FY 15 Recommendation**
Interdepartmental	**$ 522,547**	**$ 98,703**	**$ (46,400)**	**$ 574,850**
Education	$ 969,048	$ 131,938	$ (50,000)	$ 1,050,986
Treasury	$ 66,794	$ 2,835	$ 0	$ 69,629
Total	$ 1,558,389	$ 233,476	$ (96,400)	$ 1,695,465

Highlights (Cont'd)

- In addition, according to information from the Executive, projected spending in FY 2014 for post retirement medical benefits will be lower than originally assumed, also due to the use of $120 million in fund surpluses, and is estimated at $1.438 billion. The Executive intends to lapse $100 million in the various Teachers' Post Retirement Medical accounts and $20 million in post retirement medical prescription drug accounts in the Interdepartmental Accounts budget.

FY 2014 Post Retirement Medical Appropriations Offset By Health Benefits Funds Surplus ($000)		
Teachers' Pension and Annuity Fund (TPAF) PRM Accounts		
Interdepartmental Accounts - TPAF PRM Direct State Services (DSS)	$	3,655
Interdepartmental Accounts - TPAF PRM Grants-In-Aid (GIA)	$	5,373
Department of Education TPAF PRM	$	65,552
Department of Education PRM Other Than TPAF	$	24,000
Treasury TPAF PRM	$	1,420
Post Retirement Medical Prescription Drugs		
Interdepartmental Accounts PERS PRM (DSS and GIA)	$	15,000
Interdepartmental Accounts Other Than PERS PRM (DSS)	$	5,000
Total FY 2014 Budget Reductions	**$**	**120,000**

Affordable Care Act Fees

- Under the Patient Protection and Affordable Care Act (ACA) the State, as a self-funded non-federal sponsor of a group health plan, is required to pay the Transitional Reinsurance Fee and the Comparative Effectiveness Research Fee, also known as the Patient Centered Outcome Research Fee. The Transitional Reinsurance Fee is a three-year fee, starting in FY 2014 to stabilize the cost of individual and small group insurance offered through health insurance exchanges. Employer group health plans are assessed the fees to help mitigate anticipated losses due to adverse selection in the exchanges. The fee for plan year 2014 is $63 per non-Medicare member (i.e., employees, retirees, dependents). The Comparative Effectiveness Fee was imposed to help fund the Patient-Centered Outcomes Research Institute (PCORI). The PCORI was authorized by the U.S. Congress to provide evidence-based research that is intended to help people make informed health care decisions. The FY 2015 Governor's Budget recommends appropriations totaling $21.4 million in the Interdepartmental Accounts, Education, and Treasury budgets to pay for the State cost of employee health benefits related to these two fees.

Highlights (Cont'd)

Other Interdepartmental Accounts

- The FY 2015 Governor's Budget proposes no additional State appropriation for Disasters and Emergencies, i.e., Superstorm Sandy emergency response. Pursuant to language in the FY 2013 Appropriations Act a $20 million supplemental appropriation to meet the costs of any emergency occasioned by aggression, civil disturbance, sabotage, or disaster, specifically Superstorm Sandy, was recommended by the Governor's Advisory Council for Emergency Services and approved by the Governor. The FY 2014 Appropriations Act also appropriated $20 million for Disasters and Emergencies, and further provided that unexpended balances from the FY 2013 appropriation would remain available in FY 2014 for the same purpose.

- The FY 2014 Appropriations Act included $13.2 million for Community Provider Contract Adjustments, in order to provide a one-time upward contract adjustment for community care providers "in good standing" with the State. At the time of this writing, none of this appropriation has been either expended or transferred to State agencies which contract with community care providers. No funding for this purpose is recommended in FY 2015.

Salary Increases and Other Benefits

The FY 2015 Governor's Budget recommends appropriations totaling $98.708 million for step increments and 1.75 percent contractual COLA increases as illustrated below:

FY 2015 Salary Increases			
Executive Branch	Step increments and 1.75% COLA	$	84,237,000
Judicial Branch	Contractual increases	$	13,848,000
Legislative Branch	1.75% Contractual COLA	$	623,000
Total		**$**	**98,708,000**

Background Papers

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Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS ($000)

	Expended FY 2013	Adj. Approp. FY 2014	Recom. FY 2015	Percent Change 2013-15	Percent Change 2014-15
General Fund					
Direct State Services	$2,495,944	$2,837,886	$3,141,884	25.9%	10.7%
Grants-In-Aid	1,054,872	1,149,426	1,160,461	10.0%	1.0%
State Aid	0	0	0	0.0%	0.0%
Capital Construction	205,042	144,332	209,639	2.2%	45.2%
Debt Service	0	0	0	0.0%	0.0%
Sub-Total	**$3,755,858**	**$4,131,644**	**$4,511,984**	**20.1%**	**9.2%**
Property Tax Relief Fund					
Direct State Services	$0	$0	$0	0.0%	0.0%
Grants-In-Aid	0	0	0	0.0%	0.0%
State Aid	0	0	0	0.0%	0.0%
Sub-Total	**$0**	**$0**	**$0**	**0.0%**	**0.0%**
Casino Revenue Fund	$0	$0	$0	0.0%	0.0%
Casino Control Fund	$0	$0	$0	0.0%	0.0%
State Total	**$3,755,858**	**$4,131,644**	**$4,511,984**	**20.1%**	**9.2%**
Federal Funds	$0	$0	$0	0.0%	0.0%
Other Funds	$31,570	$59,133	$52,513	66.3%	(11.2%)
Grand Total	**$3,787,428**	**$4,190,777**	**$4,564,497**	**20.5%**	**8.9%**

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 2013	Revised FY 2014	Funded FY 2015	Percent Change 2013-15	Percent Change 2014-15
State	0	0	0	0.0%	0.0%
Federal	0	0	0	0.0%	0.0%
All Other	0	0	0	0.0%	0.0%
Total Positions	**0**	**0**	**0**	**0.0%**	**0.0%**

FY 2013 (as of December) and revised FY 2014 (as of January) personnel data reflect actual payroll counts. FY 2015 data reflect the number of positions funded.

AFFIRMATIVE ACTION DATA

Total Minority Percent	N/A	N/A	N/A	----	----

Significant Changes/New Programs ($000)

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page

GENERAL GOVERNMENT SERVICES

Direct State Services

Property Rentals

Property Rentals appropriations encompass funding for existing and anticipated leases of office and other facilities used by State agencies, payment for debt service leases, and payments in lieu of property taxes on facilities occupied by State agencies, as well as payments for various fire safety systems and office furnishings. The accounts also reflect the cost of rent for agencies that is ultimately financed from sources other than the General Fund, such as federal funds. The State recovers, from non-State fund sources, the cost of renting and maintaining office space. These recoveries, referred to as "direct rent," serve to reduce the cost to the General Fund. The net cost to the General Fund is referred to as "central rent."

Property Rentals	**$233,321**	**$242,125**	**$ 8,804**	**3.8%**	**D-424**

This line item represents gross property rentals costs. This proposed increase reflects higher costs directly related to the rental of real property for the conduct of State business. The factors causing this cost increase are discussed below with respect to each component of the Property Rentals total.

Existing and Anticipated Leases	**$196,304 (S)$5,098**	**$196,125**	**($5,277)**	**(2.6%)**	**D-425**

The Existing and Anticipated Leases appropriation comprises the gross cost for office space and other property rentals for State agencies and includes (but is not limited to) rent payments, taxes, janitorial services, utilities, snow removal, advertising, moving, and security costs. According to the Administration, the proposed reduction of $5.277 million results from eliminating FY 2014 supplemental appropriations of $5.098 million and a savings in Other Lease Services of $179,000. The need for supplemental funding was for security and maintenance costs at closed psychiatric hospital facilities ($1.173 million) and to make up for unspecified savings ($3.925 million) that were assumed but not achieved.

Economic Development Authority	**$7,707**	**$7,762**	**$ 55**	**.7%**	**D-425**

The State has capital lease agreements with the New Jersey Economic Development Authority (EDA) for various facilities and facility improvements that the EDA has financed around the State. As lessee, the State is required to make rental payments sufficient to cover the debt service and other amounts payable to the EDA. The line item above represents the debt service on bonds issued for the acquisition, renovation, and construction of certain land, office

Significant Changes/New Programs ($000) (Cont'd)

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page

buildings and improvements in Asbury Park, Camden, Capitol Place One, Cherry Hill, five Police State Barracks, as well as improvements related to parking, infrastructure, landscaping, passenger shuttle, and open space elements at Liberty State Park. This proposed increase for the EDA consists of minor changes in debt service on the State's capital lease agreements with the EDA, as shown below:

Economic Development Authority ($000)	FY 2014 Adjusted Appropriation	FY 2015 Recommendation	Change
Asbury Park	$ 1,029	$ 1,030	$ 1
Camden	$ 1,419	$ 1,420	$ 1
Capital Place One	$ 2,089	$ 2,091	$ 2
Cherry Hill	$ 738	$ 739	$ 1
Liberty State Park	$ 1,463	$ 1,512	$ 49
State Police Barracks	$ 969	$ 970	$ 1
Total	**$ 7,707**	**$ 7,762**	**$ 55**
Source: Office of Management and Budget, Department of the Treasury.			

Other Debt Service Leases and Tax Payments	**$24,212**	**$38,238**	**$14,026**	**57.9%**	**D-425**

The Other Debt Service Leases and Tax Payments appropriation consists primarily of debt service costs, taxes, and payments in lieu of taxes (PILOTs) for facilities financed by independent public entities and occupied by State agencies, including costs other than debt service of the EDA facilities noted above. The proposed FY 2015 increase in this category is comprised of an increase of (1) $7.002 million in the annual debt service on bonds issued by the Health Care Facilities Financing Authority (HCFFA) for Greystone Psychiatric Hospital located in Morris County; (2) $6.328 million for Marlboro Psychiatric Hospital located in Monmouth County; and (3) other minor changes in debt service on leases of State occupied agencies and various tax payments, as shown below.

In April 2013 the HCFFA issued $50.73 million in Series 2013A bonds to fund the costs of renovation and construction of new and additional facilities, and the closure of existing facilities related to Greystone Psychiatric Hospital. These Series 2013A bonds have a final maturity date of September 15, 2033. On the same day, the HCFFA issued an additional $160.110 million in Series 2013B refunding bonds also due September 15, 2033 for a total par amount outstanding on Greystone bonds Series 2013A and Series 2013B of $210.840 million. Annual debt service on both series of bonds is proposed at $15.155 million in FY 2015. This is $7.002 million higher than the debt service payment due in FY 2014 due to the recognition of savings from refunding and from the new issuance.

In addition to the April 2013 issuance of bonds for Greystone Hospital projects, the HCFFA issued $73.530 million in bonds to finance the demolition and remediation of existing facilities

Significant Changes/New Programs ($000) (Cont'd)

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page

related to Marlboro Psychiatric Hospital. These bonds have a final maturity date of September 15, 2033. The debt service of $6.328 million on these bonds is payable pursuant to a lease agreement between the HCFFA, the Department of Human Services, and the State Treasurer.

Other Debt Service Leases and Tax Payments ($000)	FY 2014 Adjusted Appropriation	FY 2015 Recommendation	$ Change
Asbury Park Administration Fee	$ 20	$ 20	$ 0
Asbury Park PILOT	$ 75	$ 81	$ 6
Bridgeton Debt Service	$ 1,489	$ 1,490	$ 1
Bridgeton Operating Expenses	$ 482	$ 493	$ 11
Camden 101 Haddon Ave. PILOT	$ 369	$ 396	$ 27
Camden 101 Haddon Ave. Administration Fees	$ 20	$ 20	$ 0
Capitol One Taxes	$ 2,035	$ 2,121	$ 86
Capital One-EDA Administration Fees	$ 22	$ 22	$ 0
DOT Cherry Hill PILOT	$ 108	$ 117	$ 9
DOT Cherry Hill EDA Administration Fee	$ 20	$ 20	$ 0
Greystone Hospital Project	**$ 8,153**	**$ 15,155**	$ **7,002**
Justice Complex Taxes	$ 9,433	$ 9,880	$ 447
Taxation Building Debt Service	$ 691	$ 691	$ 0
Taxation Building Insurance	$ 18	$ 20	$ 2
Taxation Building Property Taxes	$ 1,201	$ 1,312	$ 111
Taxation Building TDA Taxes	$ 56	$ 53	$ (3)
State Police Barracks	$ 20	$ 20	$ 0
Marlboro Hospital Project	**$ 0**	**$ 6,328**	**$ 6,328**
Total	**$ 24,212**	**$ 38,238**	**$ 14,026**
Source: Office of Management and Budget in the Department of the Treasury.			

Significant Changes/New Programs ($000) (Cont'd)

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page
Less: Total Deductions	**$92,328**	**$89,820**	**($2,508)**	**(2.7%)**	**D-425**

This line item represents "direct rent" reimbursements to State agencies from federal and other dedicated funds to defray facilities occupancy costs, based upon the use of those facilities in delivering programs and services supported by those resources. To the extent that these reimbursements decrease, additional State appropriations are needed to fully fund rental and other costs. According to the Office of Management and Budget, the decline in reimbursements is caused by discontinuing contributions from non-State sources that were in lieu of efficiency savings.

Net Property Rentals	**$140,993**	**$152,305**	**$11,312**	**8.0%**	**D-425**

The "central rent" requirement for FY 2013 is the net result of the increases and decreases in the Property Rental items noted above.

Insurance and Other Services

The Insurance and Other Services appropriations fund insurance premiums for property, casualty, and special insurance policies for coverage against losses to State-owned real property, machinery and fine art objects. The State self-administers its insurance programs and is self-insured for Tort Claims, Workers' Compensation, automobile (vehicle claims) liability, risks and claims arising from the Foster Parents Program, and the Medical Malpractice Self-Insurance Fund for Rutgers, Rowan, and University Hospital.

Tort Claims Liability Fund	**$15,000 (S)$6,500**	**$15,000**	**($6,500)**	**(30.2%)**	**D-425**

The Tort Claims Liability Fund provides funding for the payment of claims arising from wrongful actions or omissions (not based on contractual obligations), indemnification of pool attorneys engaged by the Public Defender for the defense of indigents, indemnification of a designated pathologist engaged by the State Medical Examiner, and direct costs of legal, administrative, and medical services related to the investigation, mitigation, and litigation of tort claims against public entities under N.J.S.A. 59:1-1 et. seq., the "New Jersey Tort Claims Act." Budget language provides that additional funds may be appropriated for the purpose of paying tort claims under N.J.S.A. 59:12-1 as recommended by the Attorney General and as determined by the Director of the Division of Budget and Accounting.

In FY 2010, FY 2011, FY 2012, and FY 2013, the Tort Claims Liability Fund was underfunded and required supplemental appropriations of $5.75 million, $19.43 million, $7.15 million, and $17.35 million respectively, above a base appropriation of $15 million each year. The FY 2015 Governor's Budget indicates the need for supplemental appropriations of $6.5 million in FY

Significant Changes/New Programs ($000) (Cont'd)

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page

2014 to bring total funding to $21.5 million, and recommends a FY 2015 of appropriation of $15 million. According to the Administration, supplemental funding of $6.5 million is required in FY 2014 to pay potential judgments/settlements. As of April 14, 2014 over $13.3 million in claims have been paid. Supplemental funding may or may not be required in FY 2015 for Tort Claims; however, based on the last five years' supplemental funding needs, the likelihood is strong that an additional amount of $6 million or more will be required above the recommended appropriation.

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page
Workers' Compensation Self-Insurance Fund	**$92,990**	**$92,000**	**($ 990)**	**(1.1%)**	**D-425**

The State is self-insured for workers' compensation payments made to State employees for work-related injuries. Under current law, the Workers' Compensation Self-Insurance Fund provides funding for the payment of direct costs of legal, investigative, administrative, and medical services related to the investigation, mitigation, litigation, and administration of claims against the fund. Factors that contribute to changes in workers' compensation costs include changes in the number of claims, medical costs, and disability rates. According to the responses to budget questions provided last year by the Division of Risk Management, temporary workers' compensation benefits replaced Sick Leave Injury (SLI) effective July 1, 2011. FY 2012, when expenditures totaled $92.2 million, was a transition year for ending SLI and replacing it with workers' compensation benefits. SLI expenses are effectively done, and the increase in temporary compensation benefits was less than expected. The financial incentive to return to work after a work-related injury has had a favorable impact on the number of claims and the cost of the claims. Another factor affecting costs is that the injury rate for State employees has been lowered from 9.5 percent to 6.77 percent since FY 2010. Utilization of in-network medical care providers is extraordinarily high, and the in-network medical cost discounts are at a high. There has also been increased interaction between the Division of Risk Management and employing State agencies resulting in prompt treatment and return to work for injured State employees.

According to the Administration, the proposed reduction in FY 2015 is attributable to management efficiencies that were achieved through increased interaction between agencies, a higher return to work ratio, utilization of in-network medical care providers, and a slight reduction in the population covered by the State Workers' Compensation Fund.

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page
Property Insurance Premium Payments	**$3,576**	**$3,468**	**($ 108)**	**(3.0%)**	**D-425**

The Property Insurance Premium Payments appropriation is used to purchase insurance coverage for property damage for State-owned real and personal property. Coverage includes standard protection for buildings and contents, marine vessels, catastrophic loss to vehicles parked in State locations, and mainframe computer equipment coverage. Additional policies include fine arts coverage and high-value van coverage.

Significant Changes/New Programs ($000) (Cont'd)

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page

The proposed reduction reflects net changes in the policies that are included in this appropriation as illustrated in the table below. The most significant changes include the reductions of $280,000 in property insurance and the termination of the Inland Marine policy of $119,000. These two reductions are offset by the inclusion of a new policy for National Flood Insurance of $250,000 and other minor increases totaling $41,000. The table below itemizes the changes in the property insurance policies.

FY 2015 Property Insurance Premium Payments ($000)

Policy	Type of Coverage	FY 2014 (1)	FY 2015	percent change
Affiliated FM	Property Insurance	$ 3,279	$ 2,999	(9.0%)
Travelers	Fine Arts Floater – Museum	$ 18	$ 19	6.0%
Travelers	Fine Arts Floater – DEP	$ 25	$ 25	0.0%
Marsh USA	Brokers Services Fees	$ 135	$ 175	30.0%
Lloyds of London	Special Vehicle Policy (Inland Marine)	$ 119	$ 0	(100.0%)
	National Flood Insurance	$ 0	$ 250	new
Total		$ 3,576	$ 3,468	(3.0%)

Source: Office of Management and Budget.
(1) FY 2014 premium amounts are as budgeted for FY 2014.

Casualty Insurance Premium Payments	**$508**	**$595**	**$ 87**	**17.1%**	**D-425**

The Casualty Insurance Premium Payments appropriation is used to purchase automobile excess liability insurance, aircraft liability and physical hull damage insurance, workers' compensation for special classes of State employees supported by federal or non-State funds, and accidental health insurance to provide medical reimbursement, disability and death benefits to volunteers in State programs who do not qualify as State employees and would not be eligible for workers' compensation benefits. According to the Administration, current casualty premiums include the New Jersey State Police marine fleet and submerged vessels as well as Aircraft Hull and Liability Insurance.

According to the Administration, the proposed increase is attributable to added coverage for marine liability within the Department of Environmental Protection's and the New Jersey State Police's Marine Hull policies.

Significant Changes/New Programs ($000) (Cont'd)

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page
Special Insurance Policy Premium Payment	**$158**	**$437**	**$ 279**	**176.6%**	**D-425**

The Special Insurance Policy Premium Payment Account is used to purchase special insurance policies such as: the New Jersey Network Public Broadcasters Liability (required by the Public Broadcasting Service); the Treasurer's Bond (the State Treasurer is bonded for the handling of various funds); and Blanket Position Bond insurance, which guarantees payment to the State for losses caused through employees' fraudulent or dishonest acts. In addition, special accident and health insurance is purchased to provide for medical expense reimbursement and disability and death benefits to students and volunteers who otherwise do not qualify as State employees and are precluded from collecting workers' compensation benefits.

The proposed increase is due mainly to the inclusion of two new policies, one for Cyber Liability for $250,000 and the other for Special Contingency Coverage for $10,000. The chart below itemizes the changes in each of the special insurance policies.

FY 2015 Special Insurance Policy Premium Payment ($000)				
Policy	Type of Coverage	FY 2014 (1)	FY 2015	percent change
Chartis	Special Contingency Coverage	$ 0	$ 10	new
Chartis	Primary Crime Insurance	$ 101	$ 101	0.0%
Federal Insurance	Blanket Accident Policy-Superior Court	$ 28	$ 32	14.0%
Federal Insurance	Volunteer Business Travel Accident Policy	$ 7	$ 17	143.0%
Peoples Benefit Life	Student Accident Policy - Katzenbach	$ 11	$ 11	0.0%
Twin City & Hartford	Capital City (GL, AL, Umbrella)	$ 0	$ 5	(100.0%)
Axis Insurance Company	Broadcasters Liability Cyber Liability	$ 11 $ 0	$ 11 $ 250	0.0% new
Total		$ 158	$ 437	177%

Source: Office of Management and Budget.
(1) FY 2014 premium amounts are as budgeted for FY 2014.

Significant Changes/New Programs ($000) (Cont'd)

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page
Medical Malpractice Self-Insurance Fund for Rutgers, Rowan, and University Hospital	**$10,000 (S)$14,700**	**$10,000**	**($14,700)**	**(59.5%)**	**D-425**

The Medial Malpractice Self-Insurance Fund for Rutgers, Rowan, and University Hospital is a Special Revenue Fund established by a Trust agreement between the State and the former University of Medicine and Dentistry of New Jersey (UMDNJ) to cover malpractice claims against the University and its hospitals. This insurance is required by the New Jersey Health Care Facilities Financing Authority for the protection of the Authority's bondholders. The State appropriation supplements assessments on affiliate hospitals and faculty, of about $9.5 million.

The dissolution of UMDNJ allocated its hospital facilities and faculty among Rutgers University, Rowan University and University Hospital. The FY 2014 Appropriations Act (P.L.2013, c.77) provided that as long as the contributions made by University Hospital, Rutgers University, and Rowan University and each of their affiliates to the University Hospital Self-Insurance Reserve Fund, the Rutgers University Self-Insurance Reserve Fund, or the Rowan University Self-Insurance Reserve Fund, respectively, are equal to the respective amounts established in memoranda of agreements with the Department of the Treasury, if those receipts are insufficient to pay claims expenditures, then General Fund appropriations would be authorized in such amounts as may be necessary to pay the remaining claims for the respective institutions.

According to the Administration, the proposed $14.7 million supplemental appropriation is needed to pay FY 2014 medical malpractice claims which are proving to be greater than in prior years. To date, the original appropriation of $10 million, as well as $8 million of the supplemental appropriation, has already been disbursed to cover claims. It is anticipated that the remaining $6.7 million supplemental will be disbursed to pay claims by June 30, 2014 leaving the fund with a minimal fund balance. The OLS notes that the FY 2015 recommended appropriation of $10 million may not be sufficient to cover claims in FY 2015 if the current trend continues.

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page
Household and Security	**$7,974**	**$8,578**	**$ 604**	**7.6%**	**D-425**

The Household and Security appropriation funds contract costs for purposes such as janitorial and trash removal services and State Police civilian guards who serve as security guards in State buildings and facilities. According to the Administration, the three main components of the Household and Security Services account are Household ($7.491 million), Trash removal ($324,000) and Security Guard services ($763,000). The $604,000 increase is required for maintenance, janitorial, and security costs at the building formerly used by New Jersey Network (NJN) and is related to preparing for new tenants.

Significant Changes/New Programs ($000) (Cont'd)

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page

Grants-In-Aid

Aid to Independent Authorities

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page
New Jersey Sports and Exposition Authority-Debt Service	**$71,462**	**$68,474**	**($2,988)**	**(4.2%)**	**D-425**

P.L.1971, c. 137 created the New Jersey Sports and Exposition Authority (NJSEA). The law provided for the acquisition, ownership, and operation of stadiums, arenas, entertainment facilities, convention centers, and racetracks including the Meadowlands Sports Complex, the Monmouth Park Racetrack, the Atlantic City Boardwalk Hall, the Atlantic City Convention Center, Rutgers University stadium, and the Wildwood Convention Center. The NJSEA bonds originally issued were secured by the revenues the NJSEA received from operating the facilities; however, as the original issue bonds were refinanced, the bonds became secured, in part, by State appropriations. Debt service on the bonds is payable pursuant to a contract between the State Treasurer and the NJSEA, subject to appropriation by the Legislature.

According to the February 14, 2014 State of New Jersey Debt Report (debt report) for fiscal year 2013, the total amount of State Contract Bonds outstanding is $486.830 million with a final maturity date of 2026. The recommended appropriation is consistent with the debt service schedule presented in the debt report.

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page
New Jersey Performing Arts Center, EDA	**$5,578**	**$5,561**	**($ 17)**	**(.3%)**	**D-426**

The New Jersey Performing Arts Center (NJPAC) was authorized by P.L.1974, c.80. In 1996, the Economic Development Authority issued $62.91 million in bonds for the construction of the NJPAC including a state-of-the-art center with multi-purpose theaters, support facilities, surface parking, and open plazas. State appropriations for the NJPAC are used to pay the State's debt service obligations pursuant to a lease with the New Jersey Economic Development Authority for real property, infrastructure, and the Performing Arts Center building. The New Jersey Performing Arts Center bonds were refinanced in FY 2010. Refunding bonds, with a final maturity date of July 16, 2016, totaled $26.92 million, of which $15.455 million are outstanding. The proposed FY 2015 recommended appropriation of $5.561 million is consistent with the maturity schedule on outstanding bonds.

Significant Changes/New Programs ($000) (Cont'd)

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page
Business Employment Incentive Program, EDA-Debt Service	**$27,963**	**$27,850**	**($ 113)**	**(.4%)**	**D-426**

P.L.1996, c.26, known as the Business Employment Incentive Act (BEIP), authorized the Economic Development Authority to award grants to businesses expanding or relocating within the State. Seven years later, P.L.2003, c. 166 authorized the Economic Development Authority to finance the grants with bond offerings and to modify the terms and conditions of the grants when refinanced. Grants may be awarded for up to ten years and are between 10 and 50 percent of the State income taxes withheld on the newly created jobs or between 10 and 30 percent of the estimated tax of partners of an eligible partnership. The debt service on the bonds is payable pursuant to a contract between the State Treasurer and the Economic Development Authority and is subject to appropriation by the Legislature. The proposed FY 2015 recommended appropriation of $27.85 million is consistent with the maturity schedule on outstanding bonds.

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page
Liberty Science Center	**$10,995**	**$10,945**	**($ 50)**	**(.5%)**	**D-426**

This appropriation comprises both debt service and operating costs associated with the Liberty Science Center (LSC). To the extent that the recommended FY 2015 appropriation of $10.945 million is not needed for debt service obligations, $7.3 million as reported in the FY 2013 Debt Report, the remaining $3.645 million is available to support LSC operations.

Under P.L.1974, c.80, the Economic Development Authority is authorized to issue bonds for the design, construction, renovation, expansion, and acquisition of science exhibits for the LSC begun in 2003. The LSC, located in Jersey City, is a science museum that provides interactive science and technology education for the study and exploration of nature, humanity, and technology. Expansion of the LSC was completed in 2007. The expansion included the renovation of the existing building and the construction of a new addition, the renovation of a parking lot, and the improvement of the Central Railroad of New Jersey terminal at Liberty State Park.

According to the FY 2013 Debt Report, LSC bonds issued for LSC projects totaled $95.270 million with $79.265 million in bonds outstanding and a final maturity date of March 1, 2027. Debt service on the bonds outstanding is estimated to be approximately $7.3 million in FY 2014. Budget language provides that the Liberty Science Center appropriation is to be used not only for debt service, but also for operational costs. Budget language provides that the amount of operational support for the Liberty Science Center is to be determined by the State Treasurer pursuant to an agreement between the State Treasurer and the Liberty Science Center.

Significant Changes/New Programs ($000) (Cont'd)

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page
Designated Industries Economic Growth and Development	**$2,903**	**$0**	**($2,903)**	**(100.0%)**	**D-426**

Pursuant to P.L.2003, c.166 and a bond issuance approved by the Joint Budget Oversight Committee, this appropriation funded debt service related to the Economic Development Authority's (EDA) sale of $50.7 million in bonds that matured on March 1, 2014. The proceeds of these bonds funded recoverable grants to technology companies, investments in early stage development life science and medical device companies, and the development or expansion of three commercialization centers for innovative technologies located in Camden, New Brunswick, and Newark.

The FY 2014 adjusted appropriation of $2.903 million was the final debt service payment on the outstanding bonds.

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page
New Jersey Sports and Exposition Authority – Operations	**(S) $47,303**	**$15,000**	**($32,303)**	**(68.3%)**	**D-426**

State appropriations for NJSEA operations have been incurred annually since they commenced in FY 2011 at about $4 million to support the operation of the NJSEA. The Administration explained that the NJSEA had fully depleted funds from the Xanadu project ground lease, of which a portion was used to offset operating costs, and that NJSEA's cash need would be significantly impacted by the potential lease/sale of NJSEA owned and operated racetracks in Meadowlands and Monmouth Park.

In FY 2012, the Administration indicated that NJSEA's strategy was to divest from the horse racing business which included both racetracks as well as its off-track wagering facilities. Consequently, by the end of calendar year 2011, the Meadowlands racetrack was privately operated. Press reports indicated that the NJSEA had committed to the chosen operator of Meadowlands Racetrack an advance of $5.5 million through 2012, with repayment over five years beginning in 2013. Regarding Monmouth Park, a five-year operating lease with options for three ten-year extensions was negotiated with the New Jersey Thoroughbred Horsemen Association to take over operations. Also according to press reports, the chosen operator of Monmouth Racetrack could receive an advance of $5 million to be repaid over five years beginning in 2015, a $4 million grant for the 2012 racing season, and up to $2 million annually to cover operating losses in 2013 and 2014, to be repaid in 2016 and 2017. In addition, in FY 2011, the operations of the Atlantic City Boardwalk Hall and Convention Center were transferred to the Casino Reinvestment and Development Authority.

The FY 2013 budget reflected the Governor's intent to realign the NJSEA from being "in but not of" the Department of Community Affairs to being "in but not of" the Department of State, and to further expand the mission of the NJSEA to encompass the present duties and functions of

Significant Changes/New Programs ($000) (Cont'd)

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page

both the Division of Travel and Tourism and the NJ Motion Picture and Television Commission. The FY 2013 Appropriations Act provided no initial funding for NJSEA operations, but the Executive subsequently approved $27.4 million in supplemental appropriations for that purpose.

No funding for operations was provided for the NJSEA in the FY 2014 Appropriations Act because the administration indicated that funding for operations could not be determined at that time and therefore none was proposed nor provided. Budget language concerning State funding for the NJSEA provides for supplemental appropriations if necessary to "...maintain the core operating functions of the authority..."

The FY 2015 Governor's Budget projects a FY 2014 supplemental appropriation of $47.303 million to support the operations of the NJSEA in FY 2014 and recommends $15 million in FY 2015. No further information was provided by the Administration regarding the operating needs of the NJSEA and the explanation for the supplemental appropriation. As of May 1, 2014, supplemental appropriations totaling $34.3 million were approved by the Executive.

Capital Construction

Statewide Capital Projects

Statewide Capital Projects include capital additions, improvements, and equipment projects for the construction, maintenance, and repair of State-owned and State-financed buildings.

New Jersey Building Authority	**$36,616**	**$101,923**	**$65,307**	**178.4%**	**D-426**

P.L.1981, c.120 created the New Jersey Building Authority (authority) for the purpose of financing, acquiring, constructing, reconstructing, rehabilitating, and improving office buildings and related facilities to meet the needs of State agencies. The authority is also responsible for the design and construction of correctional facilities, as well as the restoration and renovation of historic public buildings. The authority is authorized to issue bonds and notes to construct facilities for leasing to the State. The outstanding Building Authority Revenue Bonds are secured by annual rental payments from the State which are subject to annual appropriations by the Legislature.

The recommended FY 2014 adjusted appropriation reflects the refinancing of the authority bonds in FY 2014. According to budget documents, FY 2014 debt service is $18.621 million. As a result, the Administration has placed $18.215 million in reserve in anticipation of a year-end lapse. The recommended FY 2015 appropriation reflects the annual debt service on outstanding authority bonds and the debt service on maturing bond anticipation notes.

Significant Changes/New Programs ($000) (Cont'd)

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page
Life Safety, Emergency, and IT Projects - Statewide	**$10,000**	**$10,000**	**$0**	**—**	**D-426**

In FY 2015 the title of this appropriation is expanded to include information technology (IT) projects. The FY 2015 Governor's Budget recommends an appropriation of $10 million for life safety, emergency, and IT projects continuing the level of funding provided in FY 2014. A budget footnote also indicates that $14.6 million is to be made available from non-State funding sources for Statewide Fire, Life Safety and Renovation Projects, purposes which partly overlap with those funded from this appropriation.

The Administration has also indicated that $15.82 million from appropriations for Life Safety, Emergency projects will lapse at the close of FY 2014. To offset this lapse, the Executive intends to seek approval for an appropriation of $15.82 million from the Clean Energy Fund in FY 2014.

Other Related Appropriations

All Other Funds

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page
Capital Projects Statewide	**$15,820**	**$9,200**	**($6,620)**	**(41.8%)**	**D-427**

On page D-427 of the FY 2015 Governor's Budget, a new line item categorized under "All Other Funds" is displayed in the budget: Capital Projects – Statewide. The FY 2014 Adjusted Appropriation request is $15.820 million and the FY 2015 recommended amount is $9.2 million. FY 2015 budget language recommends that $9.2 million be appropriated from the Clean Energy Fund for energy efficiency capital projects in State facilities. No equivalent language was included in the FY 2014 Appropriations Act for funding for FY 2014.

Schedule 2, Dedicated Revenues, (Page C-16) shows a new line item listed under the Interdepartmental Accounts heading entitled, "Clean Energy Fund-Energy Efficiency Projects" with a recommended appropriation of $15.820 million in FY 2014 and $9.2 million in FY 2015. Budget documentation indicates that the Administration proposes to fund Energy Efficiency – Statewide projects that have traditionally been funded from a Statewide Capital Construction line item and from the State-owned Real Property Fund pursuant to budget language, from the Clean Energy Fund instead. Legislative approval of the proposal is required.

Significant Changes/New Programs ($000) (Cont'd)

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page

EMPLOYEE BENEFITS

There are five main categories of appropriations within the Employee Benefits accounts: Pensions, Health Benefits, Post Retirement Medical Benefits, employer taxes and pension bond debt service. Most State employees including those of State higher education institutions, and most employees of counties, municipalities, and school districts, are members of one of the seven State retirement systems: the Alternate Benefits Program (ABP), the Defined Contribution Retirement Program (DCRP), the Public Employees' Retirement System (PERS), the Teachers' Pension and Annuity Fund (TPAF), the Police and Firemen's Retirement System (PFRS), the State Police Retirement System (SPRS), and the Judicial Retirement System (JRS). The first two plans are defined contribution plans and the other five are defined benefits plans. In addition, there are two closed systems, the Consolidated Police and Firemen's Pension Fund (CPFPF) and Prison Officer's Pension Fund (POPF) that enroll no new members. Under current law, all defined benefit pension plans are subject to actuarial valuation every year and actuarial experience studies every three years.

The following table summarizes the recommended changes in these appropriations that are included in Direct State Services (DSS) and Grants-In-Aid Interdepartmental Accounts section of the FY 2014 Governor's Budget. Other appropriations for employee benefits are included in the budgets for the Department of Education and the Department of the Treasury.

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page
Employee Benefits	**$3,436,485**	**$3,746,655**	**$310,170**	**9.0%**	**D-433**

Table 1

EMPLOYEE BENEFITS STATE AND HIGHER EDUCATION EMPLOYEES			
Changes in Appropriations by Program; Adjusted FY 2014 to Recommended FY 2015 ($000)			
	Change in Direct State Service (State Employees)	**Change in Grants-In-Aid (Higher Education)**	**Total Change DSS and GIA**
Pensions	$ 173,919	$ 48,799	$ 222,718
Pensions – Non-Contributory Insurance	$ 3,260	$ 1,993	$ 5,253
Volunteer Emergency Survivor Benefit	$ 37	$ 0	$ 37
Total Health Benefits	$ 6,131	$ (11,776)	$ (5,645)
Post Retirement Medical Benefits	$ 38,833	$ 13,470	$ 52,303
Affordable Care Act Fees	$ 12,807	$ 5,426	$ 18,233
Employer Taxes	$ 2,713	$ 4,126	$ 6,839
Pension Bonds	$ 9,863	$ 569	$ 10,432
Total	$ 247,563	$ 62,607	$ 310,170

Significant Changes/New Programs ($000) (Cont'd)

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page

The FY 2015 Governor's Budget recommends an appropriation of about $3.747 billion to provide funding for benefits for State employees and retirees (Direct State Services) and employees and retirees of State higher educational institutions (Grants-In-Aid). This is $310.17 million, or 9 percent, higher than the FY 2014 adjusted appropriation of $3.436 billion. This proposed increase is due to: (1) growth of $222.718 million in pensions; (2) growth of $5.253 million in Non-Contributory Insurance; (3) $37,000 in Volunteer Emergency Survivor Benefits; (4) growth of $52.303 million in retiree health benefits; (5) growth of $6.839 million in employer taxes; (5) an increase of $10.432 million in debt service on pension bonds; and (6) the initiation of Affordable Care Act (ACA) Fees totaling $18.233 million. These increases are offset by a $5.645 million reduction in active employees' Health Benefits. Details of the Direct State Services and Grants-In-Aid sections of the Employee Benefits budget are discussed in order below.

Direct State Services

Employee Benefits	**$2,480,605**	**$2,728,168**	**$247,563**	**10.0%**	**D-431**

As displayed in Table 1 above, the proposed increase in funding for employee benefits for active and retired State employees is due primarily to a $173.919 million increase in pension costs comprising employers' contributions to defined benefits pension costs for PERS, TPAF, PFRS, SPRS, and JRS and for the Alternate Benefit Program (ABP) and the Defined Benefit Program (DCRP). The increase in the employer contributions for the defined benefit pension plans represents the fourth step-up in statutorily required employer payments pursuant to P.L.2010, c.1 and represents 4/7ths of the FY 2015 actuarially required contribution. Additional DSS employer benefit increases include: $3.260 million in Non-Contributory Insurance (death benefit) costs; $37,000 in Volunteer Emergency Survivor Benefits; $6.131 million in State Health benefit costs for active State employees; $38.833 million in post-retirement medical benefit costs; $12.807 million in ACA fees; $2.713 million in employer taxes; and $9.863 million in pension bond debt service.

Pensions

Public Employees' Retirement System	**$411,645**	**$527,441**	**$115,796**	**28.1%**	**D-431**
Police and Firemen's Retirement System	**$88,207**	**$122,082**	**$33,875**	**38.4%**	**D-431**
Police and Firemen's Retirement System (P.L.1979, c.109)	**$2,631**	**$3,400**	**$ 769**	**29.2%**	**D-431**
State Police Retirement System	**$45,848**	**$62,232**	**$16,384**	**35.7%**	**D-431**

Significant Changes/New Programs ($000) (Cont'd)

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page
Judicial Retirement System	**$19,150**	**$25,334**	**$ 6,184**	**32.3%**	**D-432**
Teachers' Pension and Annuity Fund	**$2,536**	**$3,404**	**$ 868**	**34.2%**	**D-432**
Total Defined Benefit Retirement System	**$570,017**	**$743,893**	**$173,876**	**30.5%**	**--**

P.L.2010, c.1 requires the State, beginning in FY 2012, to make in full the annual employer's contribution, as computed by the actuaries, to the PERS, TPAF, PFRS, SPRS, JRS, CPFPF, and the POPF. The law further provides that the State would be in compliance with this requirement provided the State makes a payment, to each State-administered retirement system or fund, of at least 1/7th of the full contribution beginning in FY 2012, and makes a payment in each subsequent fiscal year that increases by at least an additional 1/7th until payment of the full contribution is made in the eighth fiscal year and thereafter. Full funding of the annual actuarially required employer contribution for the State-administered Defined Benefits Retirement System in FY 2015 is approximately $3.937 billion. The Governor proposes total combined appropriations in FY 2015 of $2.25 billion as the fourth annual payment under P.L.2010, c.1, representing 4/7 of the actuarially required contribution based on the July 1, 2013 actuarial valuation. Of that total, $743.893 million is recommended for appropriation in FY 2015 for State enrollees in PERS, PFRS, SPRS, TPAF, and JRS in the Interdepartmental Accounts Direct State Services budget.

The Office of Legislative Services notes that the FY 2014 adjusted appropriations have not been revised to reflect the impact on employer contributions of the July 1, 2013 pension system actuarial valuations. According to the actuary, "effective with the July 1, 2012 actuarial valuation, the determination of State and Local employers' normal contributions has been revised to reflect the use of all member contributions as an offset to the gross normal cost. This was the methodology used to determine the State and Local employers' normal cost contributions prior to the enactment of P.L.2011, c. 78 and is consistent with the methodology typically used by contributory public-sector retirement systems to calculate the employers' normal cost contribution." However, after the enactment of P.L.2011, c. 78, the actuarial reports state that "Based on discussions with the Division of Pensions and Benefits, member contributions in excess of 5.5 percent of compensation shall not reduce the employers' normal cost contributions." Instead, the additional employee contributions would be used to reduce the unfunded actuarially accrued liability and not offset the gross normal cost. The effect of this methodology change was to overstate the normal cost contribution and fund the pension system at a higher level than expected. This re-evaluation reduces the funded levels and bases the offset to the gross normal cost on the use of all member contributions. While the FY 2014 adjusted appropriations in the FY 2015 Governor's Budget do not reflect the re-evaluation, the Executive provided the revised anticipated employer contributions for FY 2014 due in June 2014 for each account. For Interdepartmental Accounts – Direct State Services the revised amounts are as follows:

Significant Changes/New Programs ($000) (Cont'd)

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page

Impact of Pension Re-evaluation–FY 2014 Interdepartmental Accounts (Direct State Services) ($000)			
Pension Fund Accounts	**FY 2014 Adjusted Appropriations**	**FY 2014 Revised Appropriations**	**Reduction**
PERS	$ 411,645	$ 389,297	$ 22,348
PFRS	$ 88,207	$ 86,346	$ 1,861
PFRS Chapter 109	$ 2,631	$ 2,579	$ 52
SPRS	$ 45,848	$ 44,226	$ 1,622
TPAF	$ 2,536	$ 2,374	$ 162
JRS	$ 19,150	$ 18,450	$ 700
Total	$ 570,017	$ 543,272	$ 26,745

The Executive projects an FY 2014 lapse of $29.349 million for State and Higher Education pension account surpluses resulting from the 2013 re-evaluation, $26.745 million from Direct State Services pension fund accounts, $2.258 million from Grants-In-Aid pension fund accounts, and $346,000 from carry-forward balances in the Alternate Benefit Program.

Alternate Benefit Program	**$1,420**	**$1,307**	**($ 113)**	**(8.0%)**	**D-431**

The Alternate Benefit Program (ABP) (N.J.S.A. 18A:66-167 et seq.) is principally for full-time faculty of public institutions of higher education, but also includes certain State professional administrative staff. Participants have the option to provide for their retirement through the purchase of fixed or variable annuities underwritten by private vendors, the Teachers Insurance and Annuity Association (TIAA), or the College Retirement Equities Fund (CREF). The minimum contribution by employees is five percent of base salary. The employers (State and institutions of higher education) contribute a flat rate of eight percent of base salary. This contribution is included in the Interdepartmental Accounts and the Department of the Treasury's recommended budgets (the latter for county college faculty).

The FY 2015 Governor's Budget recommends an appropriation of $1.307 million for active State professional administrative staff at public institutions of higher education. This amount is based on membership and wage trends.

Defined Contribution Program	**$1,280**	**$1,268**	**($ 12)**	**(.9%)**	**D431**

P.L.2007, c.92 established a Defined Contribution Retirement Program (DCRP) for elected and certain appointed officials and for certain other public employees. State and local government employers contribute three percent of the employee's base salary; group life insurance and the option for disability benefits coverage are provided to participants. Participants contribute 5.5 percent of their salary. P.L.2010, c.1 expanded the participation in the DCRP to include new

Significant Changes/New Programs ($000) (Cont'd)

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page

public employees and teachers who do not meet the required number of work hours necessary to participate in PERS and TPAF, and new PFRS (Corrections Officers) and SPRS (State Police Officers) employees whose salary exceeds the annual maximum wage contribution base for Social Security, which is $117,000 for calendar year 2014.

The FY 2015 Governor's Budget recommends an appropriation of $1.268 million to provide full funding of the calculated State contribution. Membership projections in the DCRP have been revised downward to reflect a leveling off of the increase in membership that initially occurred under P.L.2010, c.1. Hence, the FY 2015 recommendation is consistent with the Division of Pensions and Benefits' assumption of a 15 percent growth in costs above a revised FY 2014 base that is lower than originally assumed.

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page
Pension Adjustment Program	**$988**	**$1,156**	**$ 168**	**17.0%**	**D-432**

The Pension Adjustment Program appropriation provides funding for cost-of-living adjustments (COLAs) in the benefits paid to retirees of the three closed State-administered defined benefit pension retirement systems: the Consolidated Police and Firemen Pension Fund (CPFPF), the Prison Officers Pension Fund (POPF), and the Central Pension Fund. The remaining State-administered defined benefit retirement systems' COLAs are paid as part of the liability of each system. Under the Pension Adjustment Fund, there is a fixed adjustment for those individuals who retired prior to January 1, 1955, and, for retirees after that date, the adjustment is 60 percent of the change in the consumer price index. Retirees become eligible for the adjustment 24 months after retirement. This program is funded on a pay-as-you-go basis through annual employer contributions. COLA increases were suspended in FY 2011 pursuant to P.L.2011, c.78. The FY 2015 recommended amount is not accurate. According to the Administration, a revised projected FY 2015 need reflects a decrease from the FY 2015 Governor's Budget recommendation. The Administration indicates that it intends to ask the Legislature to make a downward revision to this appropriation. An estimation of the revised amount was not provided as of the time of this writing.

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page
Total Pensions	**$573,705**	**$747,624**	**$173,919**	**30.3%**	**---**

This total includes the proposed appropriations for the PERS, PFRS, SPRS, JRS, TPAF, the Alternate Benefit Program, the Defined Contribution Program, and the Pension Adjustment Act.

Significant Changes/New Programs ($000) (Cont'd)

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page
Non-Contributory Insurance					
Public Employees' Retirement System	$29,302	$29,264	($ 38)	(.1%)	D-431
Police and Firemen's Retirement System	$6,593	$9,696	$ 3,103	47.1%	D-431
Alternate Benefit Program	$209	$232	$ 23	11.0%	D-431
Defined Contribution Retirement Program	$349	$410	$ 61	17.5%	D-431
State Police Retirement System	$1,858	$2,023	$ 165	8.9%	D-432
Judicial Retirement System	$889	$833	($ 56)	(6.3%)	D-432
Teachers' Pension and Annuity Fund	$56	$58	$ 2	3.6%	D-432
Total Non-Contributory Insurance	$39,256	$42,516	$ 3,260	8.3%	---

Non-contributory insurance (NCI) accounts fund the group life insurance plan for enrolled members, also known as the death benefit. NCI comprises part of the State's annual required contributions to the State-administered retirement systems, but is paid in full each year. NCI insurance is a group insurance plan in which the insured members pay no portion of the premium for their insurance. The group policyholder pays the entire premium. The enrollment of group members is automatic and all eligible members are covered. The proposed FY 2015 changes in each account reflect the pay-as-you go cost to fund NCI claims in FY 2015.

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page
Pension Obligation Bonds					
Debt Service on Pension Obligation Bonds	$124,878	$134,741	$ 9,863	7.9%	D-432

P.L.1997, c.114 authorized the Economic Development Authority to issue bonds to finance a portion of the unfunded accrued liability of the State pension system. Of the $2.5 billion in pension obligation bonds issued in 1997, $2.057 billion in bonds remain outstanding with a

Significant Changes/New Programs ($000) (Cont'd)

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page

final maturity date of February 15, 2029. In March of 2003, $375 million in Refunding bonds, also due February 15, 2029, were issued increasing the total amount of pension obligation bonds issued to $2.9 billion. Total bonds outstanding as of June 30, 2013 are $2.432 billion. This appropriation represents continued State debt service payments on these bonds. Total pension obligation bond debt service is recommended at $341.758 million in FY 2015, consistent with the schedule of debt service payments in the Debt Report. Funding for debt service on these bonds is appropriated in three sections of the budget: Interdepartmental Accounts, the Department of Education, and the Department of the Treasury. The Interdepartmental Accounts budget includes appropriations totaling $142.515 million: $134.741 million in Direct State Services and $7.774 million in Grants-In-Aid (higher education). The Department of Education includes an appropriation for debt service on pension obligation bonds of $181.194 million and the remaining $18.049 million is budgeted in the Department of the Treasury.

FY 2015 Governor's Budget Debt Service on Pension Obligation Bonds ($ Millions)			
Department	**FY 2013 Actual**	**FY 2014 Adjusted Appropriation**	**FY 2015 Recommended Appropriation**
Interdepartmental Accounts-DSS	**$ 115.698**	**$ 124.878**	**$ 134.741**
Interdepartmental Accounts-GIA	$ 6.675	$ 7.205	$ 7.774
Dept. of Education-State Aid	$ 155.587	$ 167.931	$ 181.194
Treasury-State Aid	$ 15.467	$ 16.727	$ 18.049
Total Debt Service on Pension Obligation Bonds	$ 293.427	$ 316.741	$ 341.758

Volunteer Emergency Survivor Benefits	**$128**	**$165**	**$ 37**	**28.9%**	**D-432**

The Volunteer Emergency-Worker Survivors' Pension (VESP) was established by P.L.2002, c. 134 and provides a survivors pension, paid by the State and administered by the Division of Pensions and Benefits, for certain volunteer emergency workers who are killed in the performance of their volunteer duties. Survivors (dependents) of a volunteer firefighter, first aid worker, rescue squad worker, or emergency medical technician killed while performing volunteer duties during an emergency (including during travel to and from the emergency site) on or after January 1, 2000 may be eligible for a VESP. The annual amount of the benefit, which is exempt from federal income tax, is paid monthly by the Division of Pensions and Benefits, and is as follows: widow or widower with or without dependent children, $15,000; dependent children (with no surviving widow or widower or after the death of a surviving widow or widower), $15,000 split equally between the eligible children; dependent children (after surviving widow or widower remarries), $10,000 split equally between the eligible children.

The FY 2015 Governor's Budget proposes an increase of $37,000 to pay VESB benefits in FY 2015. According to budget documents, there are currently seven VESB recipients. One

Significant Changes/New Programs ($000) (Cont'd)

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page

additional member will be added retroactive to January 1, 2013. It is assumed that one additional recipient will establish eligibility in calendar year 2015.

Health Benefits

The appropriations for State Employees' Health Benefits include State Health Benefit Program medical, prescription drug, dental, and vision coverage and pertain to active State employees. The State is self-insured for the provision of health care benefits for its employees and retirees as well as those of certain local governments. The budgeted appropriations are estimates of the net claims costs that the State will incur in a given fiscal year. While the appropriations provide the source of funds to pay for claims costs, the actual expenditures are paid out of the State Health Benefit Fund. Balances carried in the funds from one fiscal year to the next are not reflected in the budget.

For plan year 2014, total premium rate increases for FY 2014 for active employees recommended by the actuary are 7.5 percent for medical and prescription drug coverage, respectively. Premium rates recommended by the actuary and approved by the State Health Benefits Commission are used to project future claims costs for budgeting purposes. Recommended premium rates for dental coverage reflect an increase of 0.7 percent. Member premium sharing through payroll deductions is projected to increase by $105.475 million: $70.276 million for active State employees and $35.199 million for active employees of public education institutions in New Jersey.

The FY 2015 Governor's Budget recommends the following appropriations for health benefits for State employees (DSS).

State Employees' Health Benefits	**$712,460**	**$707,545**	**($4,915)**	**(.7%)**	**D-432**
State Employees' Prescription Drugs-	**$185,136**	**$197,120**	**$11,984**	**6.5%**	**D-432**
State Employees' Dental Program-Shared Cost-	**$24,462**	**$23,824**	**($ 638)**	**(2.6%)**	**D-432**
State Employees' Vision Care Program-	**$1,000**	**$700**	**($ 300)**	**(30.0%)**	**D-432**
Total State Health Benefits-Active	**$923,058**	**$929,189**	**$ 6,131**	**.7%**	**---**

The FY 2015 Governor's Budget recommends a total of $929.189 million for active State employees' medical, prescription drug, dental, and vision coverage, $6.131 million, or 0.7

Significant Changes/New Programs ($000) (Cont'd)

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page

percent more than FY 2014 adjusted appropriations. According to information provided by the Executive, actual Direct State Services health care costs are projected to increase by $81.919 million, or 8.9 percent in FY 2015. This increase is proposed to be offset by $70.276 million in premium based employee contributions and $5.512 million in fringe benefit savings due to employee actions, e.g., planned workforce reductions. The table below itemizes the changes in the Direct State Services State Employee Health Benefit accounts.

FY 2015 Summary of Changes: State Health Benefits - IDA Direct State Services ($000)

	FY 2014 Adjusted Appropriation	Gross Increase	Employee Contribution Offset	Fringe	FY 2015 Recommendation
State Employees' Health Benefits	$ 712,460	$ 51,297	$ (51,897)	$ (4,315)	$ 707,545
State Employees' Prescription Drug	$ 185,136	$ 31,560	$ (18,379)	$ (1,197)	$ 197,120
State Employees' Dental	$ 24,462	$ (638)	$ 0	$ 0	$ 23,824
State Employees' Vision	$ 1,000	$ (300)	$ 0	$ 0	$ 700
Total	$ 923,058	$ 81,919	$ (70,276)	$ (5,512)	$ 929,189

Post Retirement Medical Benefits

The Post Retirement Medical accounts fund benefits for State employees who retire after 25 years of service as members of various retirement systems. Employees who accrue 25 years of service receive paid health benefits coverage and reimbursement of the prevailing cost of Medicare Part B according to the terms specified in the union contract applicable to them at the time they attain 25 years of service credit or retire on disability. Post Retirement Medical Benefits (PRM) are funded on a pay-as-you–go basis. Because the renewal rates are based on a calendar year, for budgeting purposes the Administration blends rates from two plan years. The OLS notes that because the State is self-insured for the provision of health care benefits for its employees and retirees as well as those of certain local governments, the budgeted appropriations are estimates of the claims costs that the State will incur in a given fiscal year. While the appropriations provide the source of funds to pay for claims costs, the actual expenditures are paid out of the State health benefit funds. Balances carried in the funds from one fiscal year to the next are not reflected in the budget.

Significant Changes/New Programs ($000) (Cont'd)

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page
Public Employees' Retirement System-Post Retirement Medical	**$308,392**	**$335,705**	**$27,313**	**8.9%**	**D-431**

The FY 2015 Governor's Budget recommends a total of $335.705 million for retired State employees' medical and prescription drug coverage, $27.313 million, or 8.9 percent more than FY 2014 adjusted appropriations. According to information provided by the Executive, actual PERS post-retirement medical costs are projected to increase by $59.313 million, or 19.2 percent in FY 2015. This increase is proposed to be offset with $32 million in accumulated surplus from the State Health Benefits Fund. The Administration expects to lapse $6 million of the FY 2014 appropriation, also by substituting accumulated surplus from the fund.

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page
Teachers' Pension and Annuity Fund-Post Retirement Medical-State	**$3,655**	**$3,629**	**($ 26)**	**(.7%)**	**D-432**

The appropriation presented above funds a small subset of the Teachers' Pension and Annuity Fund (TPAF) retiree health benefit costs, those attributable to members that retired from State service. Information provided by the Executive indicates that expenditures for post-retirement medical billings for this set of retirees will decline resulting in a reduction of $26,000 in FY 2015. The Executive expects to lapse the entire FY 2014 appropriation by substituting accumulated surplus in the School Employees' Health Benefits Fund.

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page
Other Pension Systems-Post Retirement-Medical	**$113,776**	**$125,322**	**$11,546**	**10.1%**	**D-432**

The FY 2015 Governor's Budget recommends a total of $125.332 million for medical and prescription drug coverage for retired State employees' in PFRS, SPRS, JRS, and the ABP. This is $11.546 million, or 10.1 percent more than the FY 2014 adjusted appropriation. According to information provided by the Executive, actual Direct State Services post-retirement medical costs are projected to increase by $16.546 million, or 14.5 percent for this group of retirees in FY 2015. This increase is proposed to be offset with $5 million in surplus funding from the State Health Benefits Fund. The Administration expects to lapse $5 million of the FY 2014 appropriation, also by substituting accumulated surplus in the fund.

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page
Total Post Retirement Medical-DSS	**$425,823**	**$464,656**	**$38,833**	**9.1%**	**---**

The table below itemizes the gross changes in each Direct State Services post-retirement medical account and the offset in costs from the use of surplus funds in the State Health Benefits Fund from the FY 2014 adjusted appropriation to the recommended FY 2015 appropriation.

Significant Changes/New Programs ($000) (Cont'd)

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page

FY 2015 Impact of Use of Surplus on Post Retirement Medical Appropriations IDA Direct State Services ($000)				
Health Benefit Appropriation	FY 14 Adjusted Appropriation	Gross Change	Use of Surplus	FY 15 Recommendation
PERS PRM	$ 308,392	$ 59,313	$ (32,000)	$ 335,705
TPAF PRM	$ 3,655	$ (26)	$ 0	$ 3,629
Other PRM	$ 113,776	$ 16,546	$ (5,000)	$ 125,322
Total	$ 425,823	$ 75,833	$ (37,000)	$ 464,656

Affordable Care Act Fees

Affordable Care Act Fees	**$0**	**$12,807**	**$12,807**	**—**	**D-432**

Under the Patient Protection and Affordable Care Act (ACA) the State, as a self-funded non-federal sponsor of a group health plan, is required to pay the Transitional Reinsurance Fee and the Comparative Effectiveness Research Fee, also known as the Patient Centered Outcome Research Fee. The Transitional Reinsurance Fee is a three-year fee, starting in FY 2014 to stabilize the cost of individual and small group insurance offered through health insurance exchanges. Employer group health plans are assessed the fees to help mitigate anticipated losses due to adverse selection in the exchanges. The fee for plan year 2014 is $63 per non-Medicare member (i.e., employees, retirees, dependents). The Comparative Effectiveness Fee was imposed to help fund the Patient-Centered Outcomes Research Institute (PCORI). The PCORI was authorized by the U.S. Congress to provide evidence-based research that is intended to help people make informed health care decisions. The FY 2015 Governor's Budget recommends appropriations totaling $21.4 million in the Interdepartmental Accounts, Education, and Treasury budgets to pay for the State cost related to these two fees.

FY 2015 Affordable Care Act Fees ($ Millions)	
Allocation of Fees by Department	
Interdepartmental Accounts-DSS	**$ 12.807**
Interdepartmental Accounts-GIA	$ 5.426
Education-State Aid	$ 3.128
Treasury-State Aid	$ 0.053
Total ACA Fees	$ 21.414
State Costs by Fee	
Total Transitional Reinsurance Fee	$ 20.463
Total Comparative Effectiveness Fee	$ .951
Total	$ 21.414

Significant Changes/New Programs ($000) (Cont'd)

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page

According to the Office of Management and Budget (OMB), $20.463 million is budgeted for the State cost of employee health benefits related to the Transitional Reinsurance Fee in FY 2015. The budgeted amount for the fee was developed by applying the $63 fee to projected non-Medicare covered lives in SHBP plans, and projected early retiree lives in SEHBP plans. The allocation of costs was based on plan enrollment and coverage level distributions.

The OMB indicates that there was no cost for the Comparative Effectiveness Fee in FY 2013. FY 2014 costs for the Comparative Effectiveness Fee totaling $451,000 were included in the amounts for active health benefits and post-retirement medical costs reflected in the FY 2014 Adjusted Appropriations. The FY 2015 Governor's Budget recommends $951,000 for the State cost of employee health benefits related to the Comparative Effectiveness Fee. The budgeted amount for the fee was determined by applying the $2 fee to the number of projected covered lives in SHBP plans, and projected early retiree/Medicare Retiree covered lives in the SEHPB plans. The allocation of costs was based on plan enrollment and coverage level distributions.

Employer Taxes

Social Security Tax-State	**$375,700**	**$375,851**	**$ 151**	**.04%**	**D-432**

The Social Security Tax-State appropriation provides funding for the employer's share of Social Security contributions for State employees, not including employees of institutions of higher education. The recommended appropriation is an estimate of the funding required to meet the State's liability as an employer to pay Federal Insurance Contributions Act (FICA), Old Age, Survivors, and Disability Insurance (OASDI), and Medicare taxes. The current employer rate for Social Security is 6.2 percent of taxable wages and the rate for Medicare is 1.45 percent. There is no Medicare wage base, so Medicare taxes are paid on total compensation. The taxable wage base for Social Security for calendar year 2014 is $117,000, 2.9 percent higher than calendar year 2013.

This FY 2015 recommended increase reflects negotiated increases in salaries and wages of 1.75 percent which are offset by a reduction in the State workforce of approximately one percent. The Executive intends to lapse $1.7 million of the FY 2014 appropriation, so the effective increase in funding is about $1.85 million, or 0.5 percent.

Temporary Disability Insurance Liability	**$11,281 (S)$208**	**$11,810**	**$ 321**	**2.8%**	**D-432**

All eligible State employees are included in the State Temporary Disability Insurance plan. The plan is a shared-cost plan which provides payments to employees who are unable to work as the result of non-work connected illness or injury and who have exhausted their sick leave and are ineligible for any unemployment compensation or worker's compensation. Employees and employers contribute 0.5 percent of compensation up to the State taxable wage base. The State taxable wage base in calendar year 2014 is $31,500. The Division of Pensions and Benefits

Significant Changes/New Programs ($000) (Cont'd)

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page

estimates that the TDI employer rate is expected to remain at 0.5 percent of taxable wages in FY 2015, and taxable wages for Direct State Services are assumed to increase by two percent.

The FY 2015 Governor's Budget recommends a supplemental appropriation of $208,000 for FY 2014. Information supplied by the Executive indicates that taxable wages at mid-year were 2.2 percent higher than previously anticipated resulting in the need for this supplemental appropriation. The FY 2015 Governor's Budget recommends an appropriation of $11.810 million in FY 2015, consistent with the assumption of a two percent taxable wage growth above a revised wage base that is slightly higher than originally assumed.

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page
Unemployment Insurance Liability	**$6,505**	**$8,746**	**$ 2,241**	**34.5%**	**D-432**

The recommended appropriation for Unemployment Insurance Liability is the estimated amount the State is required to pay in unemployment claims for former State employees if the revenue from employee contributions proves to be insufficient. Unlike private industry, the State does not contribute a matching percentage of compensation to fund the Unemployment Compensation Trust Fund. The State operates on a pay-as-you-go basis. Employees contribute 0.425 percent of salary, up to the unemployment wage base of $31,500 in calendar year 2014. After the employees' contribution is disbursed, the State, as an employer, contributes sufficient funds to ensure the program meets its obligations. Taxable wages for Direct State Services are for Unemployment Insurance assumed to increase by 1.4 percent in FY 2015.

The FY 2015 Governor's Budget recommends an appropriation of $8.746 million, $2.241 million, or 34.5 percent higher than the FY 2014 adjusted appropriation mainly due to the inclusion of $4.877 million of additional funding to account for the impact related to the closures of the North Jersey and Woodbridge Development Centers. Absent these additional costs, funding for Unemployment Insurance in FY 2015 would have been $3.869 million. The Executive plans to lapse $1 million of the FY 2014 appropriation.

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page
Total Employer Taxes	**$393,694**	**$396,407**	**$ 2,713**	**.7%**	

Grants-In-Aid

Employee Benefits

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page
Employee Benefits Total Grants-In-Aid	**$955,880**	**$1,018,487**	**$62,607**	**6.5%**	**D-432**

The same five main categories of Direct State Service Employee Benefit appropriations reoccur as Grants-in-Aid: Pensions, Health Benefits, Post Retirement Medical Benefits; employer taxes and pension bond debt service. Grants-In-Aid appropriations fund benefits and other costs for employees of State higher educational institutions.

Significant Changes/New Programs ($000) (Cont'd)

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page
Pensions					
Public Employees' Retirement System	**$38,387**	**$77,220**	**$38,833**	**101.2%**	**D-432**
Police and Firemen's Retirement System	**$6,575**	**$9,149**	**$ 2,574**	**39.1%**	**D-432**
Teachers' Pension and Annuity Fund	**$530**	**$713**	**$ 183**	**34.5%**	**D-432**
Total State-Administered Defined Benefit Retirement System-GIA	**$45,492**	**$87,082**	**$41,590**	**91.4%**	**-----**

P.L.2010, c.1 requires the State, beginning in FY 2012, to make in full the annual employer's contribution, as computed by the actuaries, to the PERS, TPAF, PFRS, SPRS, JRS, CPFPF, and the POPF. The law further provides that the State would be in compliance with this requirement provided the State makes a payment, to each State-administered retirement system or fund, of at least 1/7th of the full contribution beginning in FY 2012, and makes a payment in each subsequent fiscal year that increases by at least an additional 1/7th until payment of the full contribution is made in the eighth fiscal year and thereafter. Full funding of the annual actuarially required employer contribution for the State-administered Defined Benefits Retirement System is approximately $3.937 billion. The Governor proposes total combined appropriations in FY 2015 of $2.25 billion as the fourth annual payment under P.L.2010, c.1, representing 4/7 of the actuarially required contribution based on the July 1, 2013 actuarial valuation. Of that total, $87.082 million is recommended for appropriation in FY 2015 for enrollees in PERS, PFRS, and TPAF, in the Interdepartmental Accounts Grants-In-Aid budget.

The Office of Legislative Services notes that the FY 2014 adjusted appropriations have not been revised to reflect the impact on employer contributions of the July 1, 2013 pension system actuarial valuations. According to the actuary, "effective with the July 1, 2012 actuarial valuation, the determination of State and Local employers' normal contributions has been revised to reflect the use of all member contributions as an offset to the gross normal cost. This was the methodology used to determine the State and Local employers' normal cost contributions prior to the enactment of P.L.2011, c. 78 and is consistent with the methodology typically used by contributory public sector retirement systems to calculate the employers' normal cost contribution." After the enactment of P.L.2011, c. 78, the actuarial reports state that "Based on discussions with the Division of Pensions and Benefits, member contributions in excess of 5.5 percent of compensation shall not reduce the employers' normal cost contributions." Instead, the additional employee contributions would be used to reduce the unfunded actuarially accrued liability and not offset the gross normal cost. The effect of this methodology change was to overstate the normal cost contribution and fund the pension

Significant Changes/New Programs ($000) (Cont'd)

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page

system at a higher level than expected. This re-evaluation reduces the funded levels and bases the offset to the gross normal cost on the use of all member contributions. While the FY 2014 adjusted appropriations in the FY 2015 Governor's Budget do not reflect the re-evaluation, the Executive provided the revised anticipated employer contributions for FY 2014 that are due in June 2014 for each account. For Interdepartmental Accounts – Grants-In-Aid the revised amounts are as follows:

Impact of Pension Re-evaluation – FY 2014 Interdepartmental Accounts (Grants-In- Aid) ($000)			
Pension Fund Accounts-	**FY 2014 Adjusted Appropriations**	**FY 2014 Revised Appropriations**	**Reduction**
PERS	$ 38,387	$ 36,303	$ 2,084
PFRS	$ 6,575	$ 6,435	$ 140
TPAF	$ 530	$ 496	$ 34
Total	$ 45,492	$ 43,234	$ 2,258

The Executive projects an FY 2014 lapse of $29.349 million for State and Higher Education pension account surpluses resulting from the 2013 re-evaluation, $26.745 million from Direct State Services pension fund accounts, $2.258 million from Grants-In-Aid pension fund accounts, and $346,000 from carry-forward balances in the Alternate Benefit Program.

Alternate Benefit Program Employer Contributions	**$139,748**	**$146,957**	**$ 7,209**	**5.2%**	**D-432**

The Alternate Benefit Program (ABP) (N.J.S.A. 18A:66-167 et seq.) is principally for full-time faculty of public institutions of higher education, but also includes certain State professional administrative staff. Participants have the option to provide for their retirement through the purchase of fixed or variable annuities underwritten by private vendors, the Teachers Insurance and Annuity Association (TIAA), or the College Retirement Equities Fund (CREF). The minimum contribution by employees is five percent of base salary. The employers (State and institutions of higher education) contribute a flat rate of eight percent of base salary. This contribution is included in the Interdepartmental Accounts and the Department of the Treasury's recommended budgets (the latter for county college faculty). The FY 2015 Governor's Budget recommends an appropriation of $146.957 million in FY 2015 for active employees of institutions of higher education. This increase is due to membership growth and a one percent increase in the wage adjustment that is consistent with the assumption of a four percent salary growth.

Total Pensions-GIA	**$185,240**	**$234,039**	**$48,799**	**26.3%**	**---**

Significant Changes/New Programs ($000) (Cont'd)

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page
Non-Contributory Insurance					
Public Employees' Retirement System-Non-Contributory Insurance	**$2,920**	**$2,969**	**$ 49**	**1.7%**	**D-432**
Police and Firemen's Retirement System-Non-Contributory Insurance	**$284**	**$386**	**$ 102**	**35.9%**	**D-432**
Alternate Benefit Program-Non-Contributory Insurance	**$20,909 (S)$442**	**$23,194**	**$ 1,843**	**8.6%**	**D-433**
Teachers' Pension and Annuity Fund-Non-Contributory Insurance	**$7**	**$6**	**($ 1)**	**(14.3%)**	**D-433**
Total Non-Contributory Insurance-GIA	**$24,562**	**$26,555**	**$ 1,993**	**8.1%**	**---**

Non-contributory insurance (NCI) appropriations fund the group life insurance plan for enrolled members, also known as the death benefit. NCI comprises part of the State's annual required contributions, but is paid in full each year. Non-contributory insurance is a group insurance plan in which the insured members pay no portion of the premium for their insurance. The group policyholder pays the entire premium. The enrollment of group members is automatic and all eligible members are covered. The FY 2015 Governor's Budget recommends a supplemental appropriation of $442,000 to pay for increased estimated NCI costs in FY 2014 due to membership growth and salary increases. The proposed FY 2015 increase reflects the pay-as-you go cost to fund NCI claims in FY 2015.

Significant Changes/New Programs ($000) (Cont'd)

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page
Pension Obligation Bonds					
Debt Service on Pension Obligation Bonds	**$7,205**	**$7,774**	**$ 569**	**7.9%**	**D-432**

P.L.1997, c.114 authorized the Economic Development Authority to issue bonds to finance a portion of the unfunded accrued liability of the State pension system. Of the $2.5 billion in pension obligation bonds issued in 1997, $2.003 billion in bonds remain outstanding with a final maturity date of February 15, 2029. In March of 2003, $375 million in Refunding bonds, also due February 15, 2029, were issued increasing the total amount of pension obligation bonds issued to $2.9 billion. Total bonds outstanding as of June 30, 2013 are $2.432 billion. This appropriation represents continued State debt service payments on these bonds. Total pension obligation bond debt service is recommended at $341.758 million in FY 2015, consistent with the schedule of debt service payments in the Debt Report. Funding for debt service on these bonds is appropriated in three sections of the budget: Interdepartmental Accounts, the Department of Education, and the Department of the Treasury. The Interdepartmental Accounts budget includes appropriations totaling $142.515 million: $134.741 million in Direct State Services and $7.774 million in Grants-In-Aid (higher education). The Department of Education includes an appropriation for debt service on pension obligation bonds of $181.194 million and the remaining $18.049 million is budgeted in the Department of the Treasury.

FY 2015 Governor's Budget Debt Service on Pension Obligation Bonds ($ Millions)			
Department	**FY 2013 Actual**	**FY 2014 Adjusted Appropriation**	**FY 2015 Recommended Appropriation**
Interdepartmental Accounts-DSS	$ 115.698	$ 124.878	$ 134.741
Interdepartmental Accounts-GIA	**$ 6.675**	**$ 7.205**	**$ 7.774**
Dept. of Education-State Aid	$ 155.587	$ 167.931	$ 181.194
Treasury-State Aid	$ 15.467	$ 16.727	$ 18.049
Total Debt Service on Pension Obligation Bonds	$ 293.427	$ 316.741	$ 341.758

Health Benefits

The appropriations for State Employees' Health Benefits in Grants-In-Aid include State Health Benefit Program medical, prescription drug, and dental coverage and pertain to active State employees of public institutions of higher education in New Jersey (higher education employees). The State is self-insured for the provision of health care benefits for its employees and retirees as well as those of certain local governments. The budgeted appropriations are estimates of the net claims costs that the State will incur in a given fiscal year. While the

Significant Changes/New Programs ($000) (Cont'd)

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page

appropriations provide the source of funds to pay for claims costs, the actual expenditures are paid out of the State Health Benefit Fund. Balances carried in the funds from one fiscal year to the next are not reflected in the budget.

For plan year 2014, total premium rate increases for FY 2014 for active employees recommended by the actuary are 7.5 percent for medical and prescription drug coverage, respectively. Premium rates recommended by the actuary and approved by the State Health Benefits Commission are used to project future claims costs for budgeting purposes.

For plan year 2014, total premium rate increases for FY 2014 for these active employees recommended by the actuary are 7.5 percent for medical and prescription drug coverage, respectively. Premium rates recommended by the actuary and approved by the State Health Benefits Commission are used to project future claims costs for budgeting purposes. Recommended premium rates for dental coverage reflect an increase of 0.7 percent. Increased member premium sharing through payroll deductions is projected to increase by $105.475 million; $70.276 million for active State employees and $35.199 million for active higher education employees.

The FY 2015 Governor's Budget recommends the following appropriations for health benefits for higher education employees.

State Employees' Health Benefits	**$362,500**	**$359,063**	**($3,437)**	**(.9%)**	**D-433**
State Employees' Prescription Drug Program	**$108,276**	**$101,130**	**($7,146)**	**(6.6%)**	**D-433**
State Employees' Dental Program-Shared Cost	**$11,771**	**$10,578**	**($1,193)**	**(10.1%)**	**D-433**
Total State Health Benefits-Active	**$482,547**	**$470,771**	**($11,776)**	**(2.4%)**	

The FY 2015 Governor's Budget recommends a total of $470.771 million for medical, prescription drug, and dental coverage, for higher education employees. This is $11.776 million, or 2.4 percent less than FY 2014 adjusted appropriations. According information supplied by the Executive, actual health care costs for active higher education employees are projected to increase by $23.423 million, or 4.85 percent in FY 2015. This increase is proposed to be offset by $35.199 million in premium based employee contributions.

Significant Changes/New Programs ($000) (Cont'd)

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page

FY 2015 Summary of Changes, State Health Benefits - IDA Grants-In-Aid ($000)					
	FY 2014 Adjusted Appropriation	Gross Increase	Employee Contribution Offset	Fringe	FY 2015 Recommendation
Higher Education Employees' Health Benefits	$ 362,500	$ 24,133	$ (27,570)	$ 0	$ 359,063
Higher Education Employees Prescription Drug	$ 108,276	$ 483	$ (7,629)	$ 0	$ 101,130
Higher Education Employees' Dental	$ 11,771	$ (1,193)	$ 0	$ 0	$ 10,578
Total	$ 482,547	$ 23,423	$ (35,199)	$ 0	$ 470,771

Post Retirement Medical Benefits

The Post Retirement Medical appropriations fund benefits for State employees who retire after 25 years of service as members of various retirement systems. Employees who accrue 25 years of service receive paid health benefits coverage and reimbursement of the prevailing cost of Medicare Part B according to the terms specified in the union contract applicable to them at the time they attain 25 years of service credit or retire on disability. Post Retirement Medical Benefits (PRM) are funded on a pay-as-you–go basis. Because the renewal rates are based on a calendar year, for budgeting purposes the Administration blends rates from two plan years. The OLS notes that because the State is self-insured for the provision of health care benefits for its employees and retirees as well as those of certain local governments, the budgeted appropriations are estimates of the net claims costs that the State will incur in a given fiscal year. While the appropriations provide the source of funds to pay for claims costs, the actual expenditures are paid out of the State health benefit funds. Balances carried in the funds from one fiscal year to the next are not reflected in the budget.

Significant Changes/New Programs ($000) (Cont'd)

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page
Public Employees' Retirement System-Post Retirement Medical-GIA	**$52,051**	**$56,728**	**$ 4,677**	**9.0%**	**D-432**

The FY 2015 Governor's Budget recommends a total of $56.728 million for medical and prescription drug coverage for PERS higher education retirees. This is $4.677 million, or 9.0 percent more than FY 2014 adjusted appropriations. This increase is consistent with the recommended renewal rates. The Administration expects to lapse $9 million of the FY 2014 appropriation, substituting accumulated surplus from the State Health Benefits Fund.

Teachers' Pension and Annuity Fund-Post Retirement Medical	**$5,373**	**$4,854**	**($ 519)**	**(9.7%)**	**D-433**

The appropriation presented above funds a small subset of the Teachers' Pension and Annuity Fund (TPAF) retiree health benefit costs, those attributable to members that retired from service in public institutions of higher education. Information provided by the Executive indicates that expenditures for post-retirement medical billings for this set of retirees will decline resulting in a reduction of $519,000 in FY 2015. The Executive expects to lapse the entire FY 2014 appropriation, substituting accumulated surplus in the School Employees' Health Benefit Fund.

Other Pension Systems-Post Retirement Medical	**$39,300**	**$48,612**	**$ 9,312**	**23.7%**	**D-433**

The FY 2015 Governor's Budget recommends a total of $48.612 million for medical and prescription drug coverage for retirees of PFRS, SPRS, JRS, and the ABP employed by public institutions of higher education in New Jersey. This is $9.312 million, or 23.7 percent more than the FY 2014 adjusted appropriation. According to information provided by the Executive, actual Grants-In-Aid post-retirement medical costs are projected to increase by $18.712 million for this group of retirees in FY 2015. This increase is proposed to be offset with $9.4 million in surplus funding from the State Health Benefits Fund. The OLS notes that even with the offset, this increase is much higher than the renewal rate recommendations.

Total-Post Retirement Medical-GIA	**$96,724**	**$110,194**	**$13,470**	**13.9%**	**---**

The table below itemizes the gross increase in each Grants-In-Aid post-retirement medical account and the offset in costs from the use of surplus funds in the State Health Benefits Fund from the FY 2014 adjusted appropriation to the recommended FY 2015 appropriation

Significant Changes/New Programs ($000) (Cont'd)

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page

FY 2015 Impact of Use of Surplus on Post Retirement Medical Appropriations IDA Grants-In-Aid ($000)				
Health Benefit Appropriation	FY 14 Adjusted Appropriation	Gross Change	Use of Surplus	FY 15 Recommendation
PERS PRM	$ 52,051	$ 4,677	$ 0	$ 56,728
TPAF PRM	$ 5,373	$ (519)	$ 0	$ 4,854
Other PRM	$ 39,300	$ 18,712	$ (9,400)	$ 48,612
Total	$ 96,724	$ 22,870	$ (9,400)	$ 110,194

Affordable Care Act Fees

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page
Affordable Care Act Fees	**$0**	**$5,426**	**$ 5,426**	**—**	**D-433**

Under the Patient Protection and Affordable Care Act (ACA) the State, as a self-funded non-federal sponsor of a group health plan, is required to pay the Transitional Reinsurance Fee and the Comparative Effectiveness Research Fee, also known as the Patient Centered Outcome Research Fee. The Transitional Reinsurance Fee is a three-year fee, starting in FY 2014 to stabilize the cost of individual and small group insurance offered through health insurance exchanges. Employer group health plans are assessed the fees to help mitigate anticipated losses due to adverse selection in the exchanges. The fee for plan year 2014 is $63 per non-Medicare member (i.e., employees, retirees, dependents). The Comparative Effectiveness Fee was imposed to help fund the Patient-Centered Outcomes Research Institute (PCORI). The PCORI was authorized by the U.S. Congress to provide evidence-based research that is intended to help people make informed health care decisions. The FY 2015 Governor's Budget recommends appropriations totaling $21.4 million in the Interdepartmental Accounts, Education, and Treasury budgets to pay for the State cost of employee health benefits related to these two fees.

FY 2015 Affordable Care Act Fees ($ Millions)	
Allocation of Fees by Department	
Interdepartmental Accounts-DSS	$ 12.807
Interdepartmental Accounts-GIA	**$ 5.426**
Education-State Aid	$ 3.128
Treasury-State Aid	$ 0.053
Total ACA Fees	$ 21.414
State Costs by Fee	
Total Transitional Reinsurance Fee	$ 20.463
Total Comparative Effectiveness Fee	$ 0.951
Total	$ 21.414

Significant Changes/New Programs ($000) (Cont'd)

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page

According to the Office of Management and Budget (OMB), $20.463 million is budgeted for the State cost of employee health benefits related to the Transitional Reinsurance Fee in FY 2015. The budgeted amount for the fee was developed by applying the $63 fee to projected non-Medicare covered lives in SHBP plans, and projected early retiree lives in SEHBP plans. The allocation of costs was based on plan enrollment and coverage level distributions.

The OMB indicates that there was no cost of the Comparative Effectiveness Fee in FY 2013. FY 2014 Comparative Effectiveness Fee costs totaling $451,000 were included in the amounts for active health benefits and post-retirement medical costs reflected in the FY 2014 Adjusted Appropriations. The FY 2015 Governor's Budget recommends $951,000 for the State cost of employee health benefits related to the Comparative Effectiveness Fee. The budgeted amount for the fee was determined by applying the $2 fee to the number of projected covered lives in SHBP plans, and projected early retiree/Medicare Retiree covered lives in the SEHPB plans. The allocation of costs was based on plan enrollment and coverage level distributions.

Employer Taxes

Social Security – State	**$147,983**	**$153,723**	**$ 5,740**	**3.9%**	**D-433**

This Social Security Tax-State appropriation provides funding for the employer's share of Social Security contributions for State employees of public institutions of higher education. The recommended appropriation is an estimate of the funding required to meet the State's liability as an employer to pay Federal Insurance Contributions Act (FICA), Old Age, Survivors, and Disability Insurance (OASDI), and Medicare taxes. The current employer rate for Social Security is 6.2 percent of taxable wages and the rate for Medicare is 1.45 percent. There is no Medicare wage base, so Medicare taxes are paid on total compensation. The taxable wage base for Social Security for calendar year 2014 is $117,000, 2.9 percent higher than calendar year 2013.

This FY 2015 recommended increase reflects negotiated increases in salaries and wages of 1.75 percent and increases in membership of approximately 0.7 percent.

Temporary Disability Insurance Liability	**$6,769**	**$6,877**	**$ 108**	**1.6%**	**D-433**

All eligible State employees are included in the State Temporary Disability Insurance plan. The plan is a shared-cost plan which provides payments to employees who are unable to work as the result of non-work connected illness or injury and who have exhausted their sick leave and are ineligible for any unemployment compensation or worker's compensation. Employees and employers contribute 0.5 percent of compensation up to the State taxable wage base. The State taxable wage base in calendar year 2014 is $31,500. The Division of Pensions and Benefits estimates that the TDI employer rate is expected to remain at 0.5 percent of taxable wages in FY 2015, and taxable wages for Grants-In-Aid are assumed to increase by three percent.

Significant Changes/New Programs ($000) (Cont'd)

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page

The FY 2015 Governor's Budget recommends an appropriation of $6.877 million, $108,000 or 1.6 percent higher than the FY 2014 Adjusted appropriation which is consistent with the assumption of a three percent taxable wage growth above a revised wage base that is slightly lower than originally assumed.

Unemployment Insurance Liability	**$4,850**	**$3,128**	**($1,722)**	**(35.5%)**	**D-433**

The recommended appropriation for Unemployment Insurance Liability is the estimated amount the State is required to pay in unemployment claims for former State employees if the revenue from employee contributions proves to be insufficient. Unlike private industry, the State does not contribute a matching percentage of compensation to fund the Unemployment Compensation Trust Fund. The State operates on a pay-as-you-go basis. Employees contribute 0.425 percent of salary, up to the unemployment wage base of $31,500 in calendar year 2014. After the employees' contribution is disbursed, the State, as an employer, contributes sufficient funds to ensure the program meets its obligations. Taxable wages for Grants-In-Aid for Unemployment Insurance are assumed to increase by three percent in FY 2015.

The FY 2015 Governor's Budget recommends an appropriation of $3.128 million, $1.722 million, or 35.5 percent less than the FY 2014 adjusted appropriation which is consistent with the assumption of a three percent taxable wage growth above a revised wage base that is lower than originally assumed. The Executive intends to lapse $1 million of the FY 2014 appropriation.

Total Employer Taxes	**$159,602**	**$163,728**	**$ 4,126**	**2.6%**	

OTHER INTERDEPARTMENTAL ACCOUNTS

Direct State Services

Disasters and Emergencies	**$20,000**	**$0**	**($20,000)**	**(100.0%)**	**D-435**

Pursuant to language in the FY 2013 Appropriations Act a $20 million supplemental appropriation to meet the costs of any emergency occasioned by aggression, civil disturbance, sabotage, or disaster, specifically Superstorm Sandy, was recommended by the Governor's Advisory Council for Emergency Services and approved by the Governor. The FY 2015 Governor's Budget reflects this funding on page D-435 on the line item entitled "Disasters and Emergencies". The FY 2014 Appropriations Act also appropriated $20 million for Disasters and Emergencies, and further provided that unexpended balances from the FY 2013 appropriation

Significant Changes/New Programs ($000) (Cont'd)

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page

would remain available in FY 2014 for the same purpose. $14.4 million of the FY 2013 appropriation was expended by the close of FY 2013, and $5.6 million carried forward to augment the $20 million FY 2014 appropriation. As of April 16, 2014, about $193,000 of the $25.6 million available in FY 2014 for Disasters and Emergencies was expended, and about $3.25 million was in "reserve" status, which sometimes indicates an intention to lapse funds rather than leave them available for expenditure. No additional funding is sought in FY 2015.

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page
Federal Sequester Contingency	**$3,000**	**$0**	**($3,000)**	**(100.0%)**	**D-435**

P.L.2013, c.77 provided $3 million to fund the continued delivery of services and programs necessary to protect the health and safety of the residents of the State of New Jersey in the event that the federal budget process resulted in sequestration, leading to reduced federal funds for critical programs including, but not limited to, education, public health and safety, and environmental programs. The FY 2015 Governor's Budget proposes not to continue funding for this appropriation in the budget year. Financial accounting documents indicate that no funds were expended in the current year for the continued delivery of services and programs in the event of a Federal 2014 fiscal year sequester and continued funding is not necessary. The Executive intends to lapse the entire $3 million appropriation.

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page
Interest on Short Term Notes	**$6,000 (S)$3,392**	**$6,000**	**($3,392)**	**(36.1%)**	**D-435**

The State uses cash flow borrowing, in the form of lines of credit and tax and revenue anticipation notes (TRANS), to meet its cash flow needs in the early part of the fiscal year, when cash spending outpaces cash collections. This situation largely results from the need to expend significant sums on local aid and direct property tax relief in the first two fiscal quarters of the year, before major tax collections are received in the last two quarters of the year.

The FY 2015 Governor's Budget proposes an appropriation of $6 million for Interest on Short Term Notes. Thus far in FY 2013, the State has issued about $2.6 billion in TRANS to meet cash flow needs (Series 2014C), after twice drawing upon a line of credit for temporary cash flow financing—$1.2 billion in July 2013 (Series A) and $900 million on July 31, 2013 (Series B). The OLS estimates that interest costs on these borrowings will total about $33 million which will be offset by original issue premiums of $24.128 million. Thus, net interest borrowing costs could be approximately $8.9 million. With no significant improvement, and potential worsening, in cash flow patterns between FY 2014 and FY 2015, additional funding above $6 million could be needed to cover short-term borrowing costs.

Significant Changes/New Programs ($000) (Cont'd)

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page

Grants-In-Aid

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page
Community Provider Contract Agreements	**$13,200**	**$0**	**($13,200)**	**(100.0%)**	**D-435**

This appropriation was intended to provide a one-time upward contract adjustment for community care providers "in good standing" with the State. Budget language requires the Director of the Division of Budget and Accounting to provide a report to the Joint Budget Oversight Committee (JBOC) covering all contracting departments or divisions detailing the amounts that were not disbursed to providers "not in good standing" with the State, but reallocated and distributed to providers "in good standing," as specified. As of April 30, 2014, none of this appropriation had been expended or transferred to agencies which contract with community care providers.

SALARY INCREASES AND OTHER BENEFITS

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page
Salary Increases and Other Benefits	**$16,865**	**$109,708**	**$92,843**	**550.5%**	**D-436**

Salary increases for existing State positions are budgeted centrally in the Interdepartmental Accounts budget, and then allocated to individual departments/agencies during the fiscal year. Salary increases could include step increments, cost-of living adjustments (COLAs), and bonuses according to contractual agreements. The FY 2015 Governor's Budget recommends $98.708 million for step increments and a 1.75 percent contractual COLA increase for most Executive Branch employees of $84.237 million; contractual increases of $13.848 million for employees of the Judicial Branch; and $623,000 for a 1.75 percent contractual COLA for employees of the Legislative Branch. This FY 2015 increase is offset by discontinuing $5.865 million in one-time FY 2014 funding for contractual employee bonuses. The total displayed also includes $11 million in both FY 2014 and FY 2015 for unused accumulated sick leave.

Significant Language Changes

Use of Clean Energy Fund for Energy Efficiency Capital Projects

Addition

2014 Handbook: p. N.A.
2015 Budget: p. D-430

Notwithstanding the provisions of any law or regulation to the contrary, there is appropriated $9,200,000 from the Clean Energy Fund for energy efficiency capital projects in State facilities.

Explanation

New Jersey ratepayers finance the Clean Energy Program via the societal benefits charge included in their electric and natural gas bills. Operative since April 2001, the program was authorized as part of the "Electric Discount and Energy Competition Act," P.L.1999, c.23 (N.J.S.A.48:3-49 et seq.). Through the program the BPU seeks to promote increased energy efficiency and the use of renewable energy sources. The Governor's FY 2015 Budget anticipates $450.9 million in available Clean Energy Fund resources in FY 2015; and $305.9 million in expenditures, which is comprised of $235.3 million in program expenditures and $70.6 million in transfers to the State General Fund (see page 26 of the "Supplementary Information: Other Governmental Funds and Proprietary Funds" section of the Governor's FY 2015 Budget, available in the online version only).

Schedule 2, Dedicated Revenues, (Page C-16) shows a new line item listed under the Interdepartmental Accounts heading entitled, "Clean Energy Fund-Energy Efficiency Projects" with a recommended appropriation of $15.820 million in FY 2014 and $9.2 million in FY 2015. Budget documentation indicates that the Administration proposes to fund Energy Efficiency – Statewide projects that have traditionally been funded from a Statewide Capital Construction line item and from the State-owned Real Property Fund pursuant to budget language, from the Clean Energy Fund instead, thereby freeing up the use of General Fund revenue for other purposes. The Executive requires approval by the Legislature of the proposed FY 2014 use of Clean Energy Fund resources, which if authorized will result in a lapse of prior years' unexpended appropriations balances of an equal amount.

EXPLANATION: FY 2014 language not recommended for FY 2015 denoted by strikethrough.
Recommended FY 2015 language that did not appear in FY 2014 denoted by underlining.

Significant Language Changes (Cont'd)

Affordable Care Act Fees	
Revision	2014 Handbook: p. B-203 p. B-204 2015 Budget: p. D-433 p. D-434

Such additional amounts as may be required for Public Employees' Retirement System - Post Retirement Medical, Public Employees' Retirement System - Non-contributory Insurance, Police and Firemen's Retirement System - Non-contributory Insurance, Alternate Benefit Program - Employer Contributions, Alternate Benefit Program - Non-contributory Insurance, Defined Contribution Retirement Program, Defined Contribution Retirement Program - Non-contributory Insurance, Teachers' Pension and Annuity Fund - Post Retirement Medical - State, Teachers' Pension and Annuity Fund - Non-contributory Insurance, State Police Retirement System - Non-contributory Insurance, Judicial Retirement System - Non-contributory Insurance, State Employees' Health Benefits, Other Pension Systems - Post Retirement Medical, State Employees' Prescription Drug Program, State Employees' Dental Program - Shared Cost, State Employees' Vision Care Program, <u>Affordable Care Act Fees</u>, Social Security Tax - State, Temporary Disability Insurance Liability, and Unemployment Insurance Liability are appropriated, as the Director of the Division of Budget and Accounting shall determine.

<u>Explanation</u>

Under the Patient Protection and Affordable Care Act (ACA) the State, as a self-funded non-federal sponsor of a group health plan, is required to pay the Transitional Reinsurance Fee and the Comparative Effectiveness Research Fee, also known as the Patient Centered Outcome Research Fee. The Transitional Reinsurance Fee is a three-year fee, starting in FY 2014 to stabilize the cost of individual and small group insurance offered through health insurance exchanges. Employer group health plans are assessed the fees to help mitigate anticipated losses due to adverse selection in the exchanges. The fee for plan year 2014 is $63 per non-Medicare member (i.e., employees, retirees, dependents). The Comparative Effectiveness Fee was imposed to help fund the Patient-Centered Outcomes Research Institute (PCORI). The PCORI was authorized by the U.S. Congress to provide evidence-based research that is intended to help people make informed health care decisions. The FY 2015 Governor's Budget recommends appropriations totaling $21.4 million in Direct State Services and Grants-In-Aid in the Interdepartmental Accounts budget, in the budget of the Department of Education, and in the budget of the Department of the Treasury to pay for the State cost of employee health benefits related to these two fees.

EXPLANATION: FY 2014 language not recommended for FY 2015 denoted by strikethrough.
Recommended FY 2015 language that did not appear in FY 2014 denoted by underlining.

Significant Language Changes (Cont'd)

This proposed language revision allows the Director of the Division of Budget and Accounting to appropriate additional funds in the Direct State Services and the Grants-In-Aid sections in the Interdepartmental Accounts budget, as necessary and without further legislative approval, to pay additional ACA fees in the event that the funds appropriated annually to pay the fees are insufficient.

Disasters and Emergencies Unexpended Balances

Addition

2014 Handbook: p. N.A.
2015 Budget: p.D-435

The unexpended balance at the end of the preceding fiscal year in the Disasters and Emergencies account is appropriated for the same purpose.

Explanation

In FY 2013, a $20 million supplemental appropriation to meet the costs of any emergency occasioned by aggression, civil disturbance, sabotage, or disaster, specifically Superstorm Sandy, was recommended by the Governor's Advisory Council for Emergency Services and approved by the Governor. The FY 2015 Budget reflects this funding on page D-435 on the line item entitled "Disasters and Emergencies". The FY 2014 Appropriations Act also appropriated $20 million for Disasters and Emergencies, and under a general provision applicable to supplemental appropriations approval late in the fiscal year, unexpended balances from the FY 2013 appropriation remained available in FY 2014 for the same purpose. $14.4 million of the FY 2013 appropriation was expended by the close of FY 2013, and $5.6 million carried forward to augment the $20 million FY 2014 appropriation. As of April 16, 2014, about $193,000 of the $25.6 million available in FY 2014 for Disasters and Emergencies was expended, and about $3.25 million was in "reserve" status, which sometimes indicates an intention to lapse funds rather than leave them available for expenditure. The FY 20115 Governor's Budget recommends no additional appropriation, but adds this language to provide that only previously appropriated funds remain available in FY 2015.

EXPLANATION: FY 2014 language not recommended for FY 2015 denoted by strikethrough.
Recommended FY 2015 language that did not appear in FY 2014 denoted by underlining.

Significant Language Changes (Cont'd)

Federal Sequester Contingency Funding

Deletion

2014 Handbook: p. B-205
2015 Budget: p. N.A.

~~Of the amount hereinabove appropriated for Federal Sequester Contingency, in the event the federal budget process results in a sequestration or withholding of federal funds in a manner that adversely affects the delivery of services or the continuation of programs necessary to the health and safety of the residents of the State of New Jersey, such amounts as the Director of the Division of Budget and Accounting shall determine to be necessary to protect public welfare and to provide a level of continuity in the delivery of required services may be transferred to the applicable Direct State Services, Grants-In-Aid or State Aid line item for the affected program or programs.~~

Explanation

The FY 2015 Governor's Budget does not continue language adopted in FY 2014 for Federal Sequester Contingency funding. In FY 2014, $3 million was appropriated for the continued delivery of services and programs necessary to protect the health and safety of the residents of the State of New Jersey in the event that the federal budget process resulted in sequestration, leading to reduced federal funds for critical programs in New Jersey including but not limited to, education, public health and safety, and environmental programs. The Executive intends to lapse the entire appropriation, and recommends no additional funding in FY 2015, obviating the need for the language.

EXPLANATION: FY 2014 language not recommended for FY 2015 denoted by strikethrough.
Recommended FY 2015 language that did not appear in FY 2014 denoted by underlining.

Significant Language Changes (Cont'd)

Commuter Provider Contract Adjustments

Deletion

2014 Handbook: p.B-205
2015 Budget: p. N.A.

~~Of the amount hereinabove appropriated for Community Provider Contract Adjustments, amounts may be transferred to departments and divisions contracting with community care providers in order to provide a one-time upward contract adjustment effective January 1, 2014 for such providers; provided, however, that no adjustment shall be made for providers that are not in good standing with the State as of January 1, 2014 as determined by the Director of the Division of Budget and Accounting in consultation with the contracting department or division. Contract adjustments shall be prorated to all such eligible providers in good standing with the State proportional to their contracting base. For purposes of this paragraph, "in good standing with the State" means that the provider owes no outstanding liabilities to the contracting department or division or to the State. Amounts not disbursed to providers not in good standing with the State shall be reallocated and distributed among providers in good standing, subject to the approval of the Director of the Division of Budget and Accounting. The director shall submit a report to the Joint Budget Oversight Committee covering all contracting departments or divisions detailing the amounts not disbursed to providers not in good standing and reallocated and distributed among providers in good standing.~~

Explanation

P.L.2013, c.77 appropriated $13.2 million in order to provide a one-time upward contract adjustment for community care providers "in good standing" with the State. Budget language requires the Director of the Division of Budget and Accounting to provide a report to the Joint Budget Oversight Committee (JBOC) covering all contracting departments or divisions detailing the amounts that were not disbursed to providers "not in good standing" with the State, but reallocated and distributed to providers "in good standing," as specified. As of April 30, 2014 none of these funds have been expended or transferred to agencies which contract with community care providers. No FY 2015 funding is recommended for community care provider contract adjustments, so this language is no longer required.

EXPLANATION: FY 2014 language not recommended for FY 2015 denoted by strikethrough.
Recommended FY 2015 language that did not appear in FY 2014 denoted by underlining.

Background Paper: Impact of 2013 Pension Re-evaluation

P.L.2010, c.1 requires the State, beginning in FY 2012, to make in full the annual employer's contribution, as computed by the actuaries, to the PERS, TPAF, PFRS, SPRS, JRS, CPFPF, and the POPF. The law further provides that the State would be in compliance with this requirement provided the State makes a payment, to each State-administered retirement system or fund, of at least 1/7th of the full contribution beginning in FY 2012, and makes a payment in each subsequent fiscal year that increases by at least an additional 1/7th until payment of the full contribution is made in the eighth fiscal year and thereafter. Full funding of the annual actuarially required employer contribution for the State-administered defined benefits retirement systems in FY 2015 is approximately $3.937 billion. The Governor proposes total combined appropriations in FY 2015 of $2.250 billion as the fourth annual payment under P.L.2010, c.1, representing 4/7 of the actuarially required contribution based on the July 1, 2013 actuarial valuation. This is an increase of $575 million above FY 2014 appropriations of $1.675 billion which equaled 3/7ths of the actuarially required contribution based on the July 1, 2012 actuarial valuation.

The Office of Legislative Services notes that the FY 2014 adjusted appropriations have not been revised to reflect the impact on employer contributions of the July 1, 2013 pension system actuarial valuations. According to the actuary, "effective with the July 1, 2012 actuarial valuation, the determination of State and Local employers' normal contributions have been revised to reflect the use of all member contributions as an offset to the gross normal cost. This was the methodology used to determine the State and Local employers' normal cost contributions prior to the enactment of P.L.2011, c. 78 and is consistent with the methodology typically used by contributory public-sector retirement systems to calculate the employers' normal cost contribution." However, after the enactment of P.L.2011, c. 78, the actuarial reports state that "Based on discussions with the Division of Pensions and Benefits, member contributions in excess of 5.5 percent of compensation shall not reduce the employers' normal cost contributions." Instead, the additional employee contributions would be used to reduce the unfunded actuarially accrued liability and not offset the gross normal cost. The effect of this methodology change was to overstate the normal cost contribution and fund the pension system at a higher level than expected. This re-evaluation reduces the funded levels and bases the offset to the gross normal cost on the use of all member contributions. While the FY 2014 adjusted appropriations in the FY 2015 Governor's Budget do not reflect this re-evaluation, the Executive provided the revised anticipated employer contributions for FY 2014 due in June 2014 for each account.

The Office of Legislative Services notes that as a result of the re-evaluation, the total actuarially required contribution was reduced by $217.921 million in FY 2014 and by $263 million in FY 2015. This reduced the State's proposed FY 2014 employer contribution by $93.395 million and the proposed FY 2015 employer contribution by $150 million under P.L.2010, c.1. As a result, the Executive intends to pay only the revised employer contribution in FY 2014, and lapse a total of $93.395 million. This lapse is comprised of $29.003 million in State and higher education pension appropriations in the Interdepartmental Accounts Budget, $62.823 million in teachers' pension appropriations in the budget of the Department of Education, and $1.569 million in county college pension appropriations in the budget of the Department of the Treasury.

Background Paper: Impact of 2013 Pension Re-evaluation (Cont'd)

The table below shows the revisions to the employer contributions as recommended by the actuary in the FY 2014 appropriations for each pension fund account and the FY 2015 recommended employer contributions.

The Impact of 2013 Pension Fund Re-evaluation ($000)				
Pension Fund Accounts Direct State Services	**FY 2014 Adjusted Appropriations**	**FY 2014 Revised Appropriations**	**FY 2014 Reduction**	**FY 2015 Recommendation**
Interdepartmental Accounts (IDA)				
PERS-DSS	$ 411,645	$ 389,297	$ 22,348	$ 527,441
PFRS-DSS	$ 88,207	$ 86,346	$ 1,861	$ 122,082
PFRS Chapter 109	$ 2,631	$ 2,579	$ 52	$ 3,400
SPRS	$ 45,848	$ 44,226	$ 1,622	$ 62,232
TPAF-DSS	$ 2,536	$ 2,374	$ 162	$ 3,404
JRS	$ 19,150	$ 18,450	$ 700	$ 25,334
Sub-total IDA DSS	**$ 570,017**	$ **543,272**	$ **26,745**	**$ 743,893**
PERS-GIA	$ 38,387	$ 36,303	$ 2,084	$ 77,220
PFRS-GIA	$ 6,575	$ 6,435	$ 140	$ 9,149
TPAF-GIA	$ 530	$ 496	$ 34	$ 713
Sub-total IDA-GIA	**$ 45,492**	$ **43,234**	$ **2,258**	**$ 87,082**
Total IDA	$ **615,509**	$ **586,506**	$ **29,003**	**$ 830,975**
Dept. of Education				
TPAF State Aid	**$ 985,948**	**$ 923,125**	**$ 62,823**	**$ 1,316,529**
Dept. of the Treasury				
PFRS State Aid	$ 42,594	$ 41,678	$ 916	$ 60,060
Chapter 109 State Aid	$ 30,587	$ 29,946	$ 641	$ 42,062
TPAF Aid to CC	$ 193	$ 181	$ 12	$ 258
CPFPF	$ 864	$ 864	$ 0	$ 0
Subtotal Treasury	**$ 74,238**	**$ 72,669**	**$ 1,569**	**$ 102,380**
Total State Contributions	**$ 1,675,695**	**$ 1,582,300**	**$ 93,395**	**$ 2,249,884**
Total ARC	**$ 3,909,955**	**$ 3,692,033**	**$ 217,921**	**$ 3,937,297**
State Contrib/ARC	42.86%	42.86%		57.41%

Source: Divisions of Pensions and Benefits, Department of the Treasury

Background Paper: Pension Funding At-A-Glance

Introduction

New Jersey as a public employer provides retirement benefits to its employees through seven State-administered pension plans. Employee and employer contributions, plus investment returns, accumulate to fund those benefits. Defined benefit plans have fixed benefits and fixed employee contribution rates. Actuarial valuations of assets and liabilities determine the amount of the State's employer contribution. The ratio of those assets to liabilities indicates the degree to which a plan is funded.

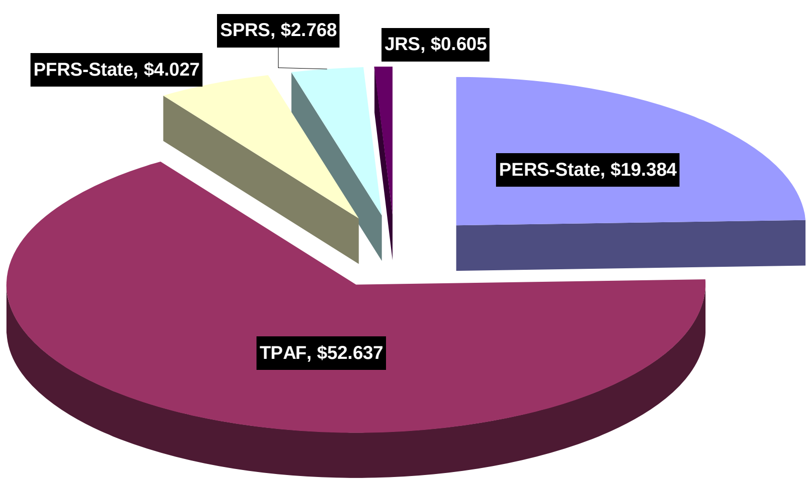
The basic premise of pension retirement benefits for public employees is that the employees and their respective employers will make regular contributions over time to fund a retirement benefit to be received at the end of decades of public service. As monies from these two contribution streams accumulate, they are invested to preserve or increase their value in anticipation of outflows to fund the obligation to retirees in the future. State employees and the State, as their employer, are required to make contributions to pension plans. Those contributions are invested, creating a third stream of funding. A comparison of assets to liabilities as expressed as a ratio reveals to what extent the monies set aside will be able to meet the future obligation.

This background report presents various aspects of New Jersey's State-administered defined benefit retirement systems for State funded systems. It provides information on the collective pension fund from actuarial, accounting, and investment perspectives, and on the relationships between the key analytical factors such as: (1) the funding components; (2) contributions; (3) assets and liabilities; (4) investment returns; (5) how the funds are invested; (6) the change in active members and annuitants; and (7) the external cash flow of the system.

Background Paper: Pension Funding At-A-Glance (Cont'd)

State-Administered Retirement Systems
Liabilities
FY 2012
$79.4 Billion

New Jersey as a public employer provides retirement benefits to its employees through seven State-administered defined benefit pension plans.



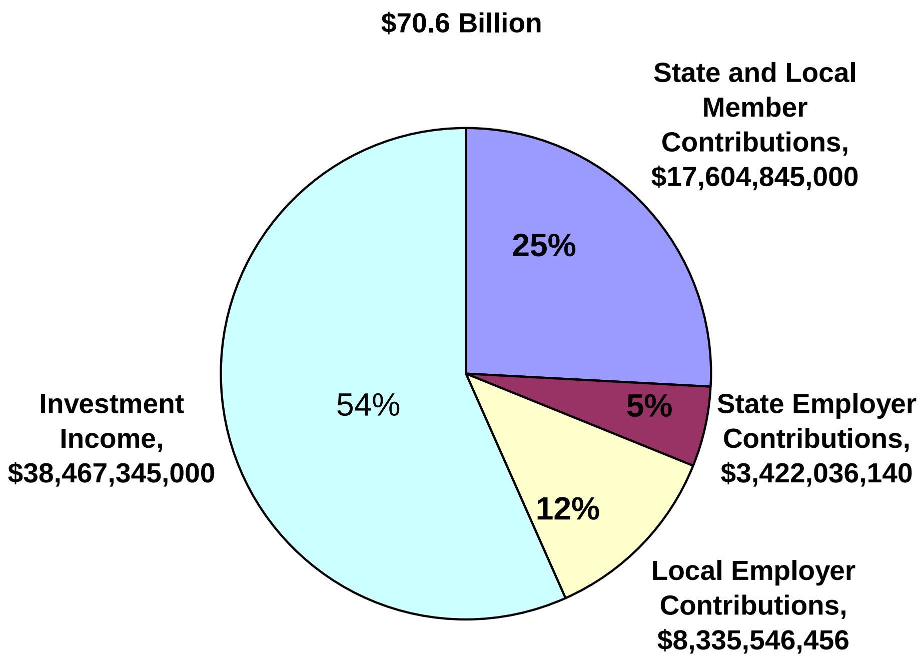
Public Employee's Retirement System (PERS)
Teachers' Pension and Annuity Fund (TPAF)
Police and Firemens' Retirement System (PFRS)
State Police Retirement System (SPRS)
Judicial Retirement System (JRS)
Consolidated Police and Firemens' Pension Fund (closed)
Prison Officers' Pension Fund (closed)

Background Paper: Pension Funding At-A-Glance (Cont'd)

New Jersey State-Administered Retirement Systems

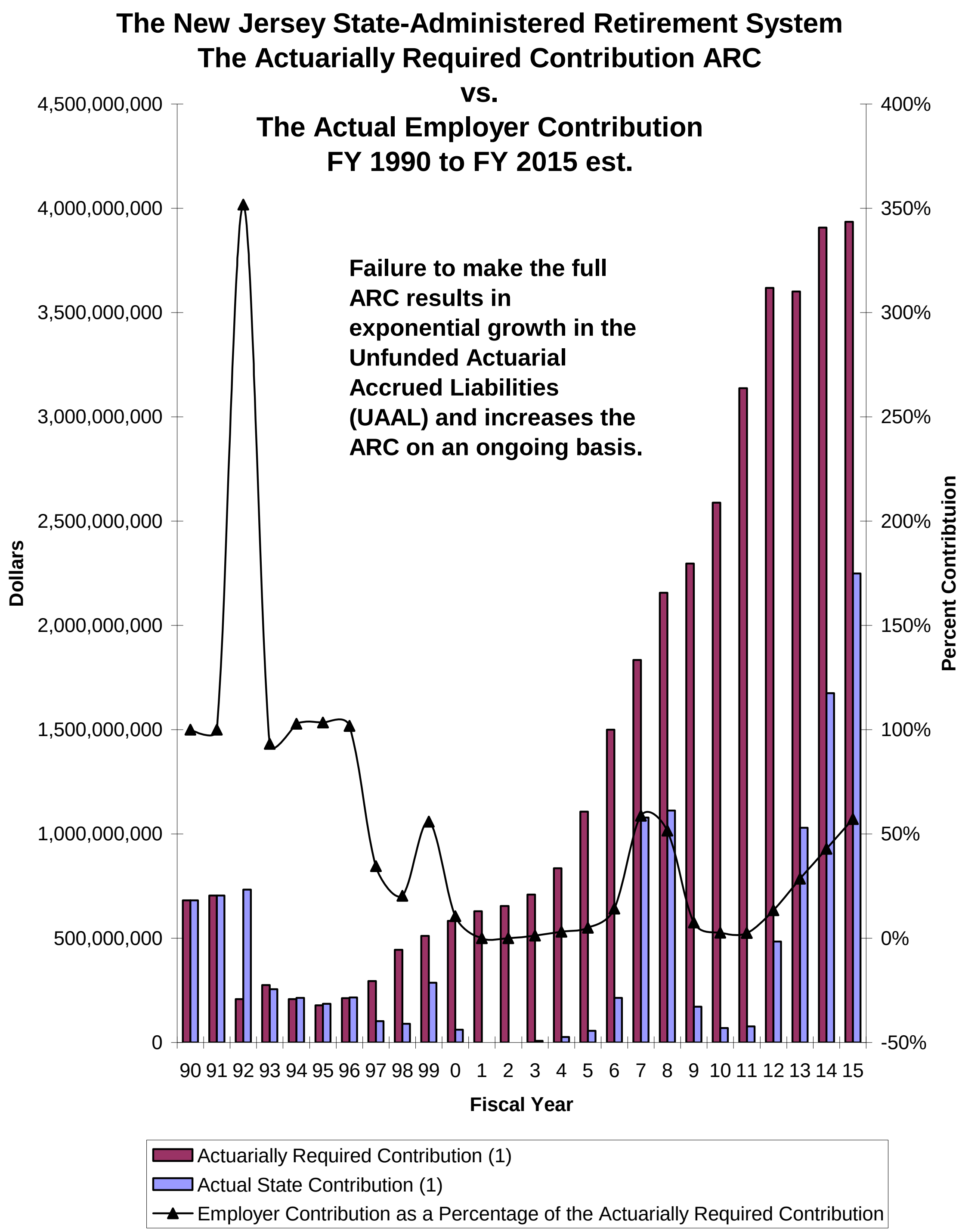
Funding Components

Employee and Employer contributions, plus investment returns, accumulate to fund retirement benefits. A total of $70.6 billion was contributed and earned from FY 2002 through FY 2012. Local employers also participate in these State-admininstered retirement systems (pension plans).



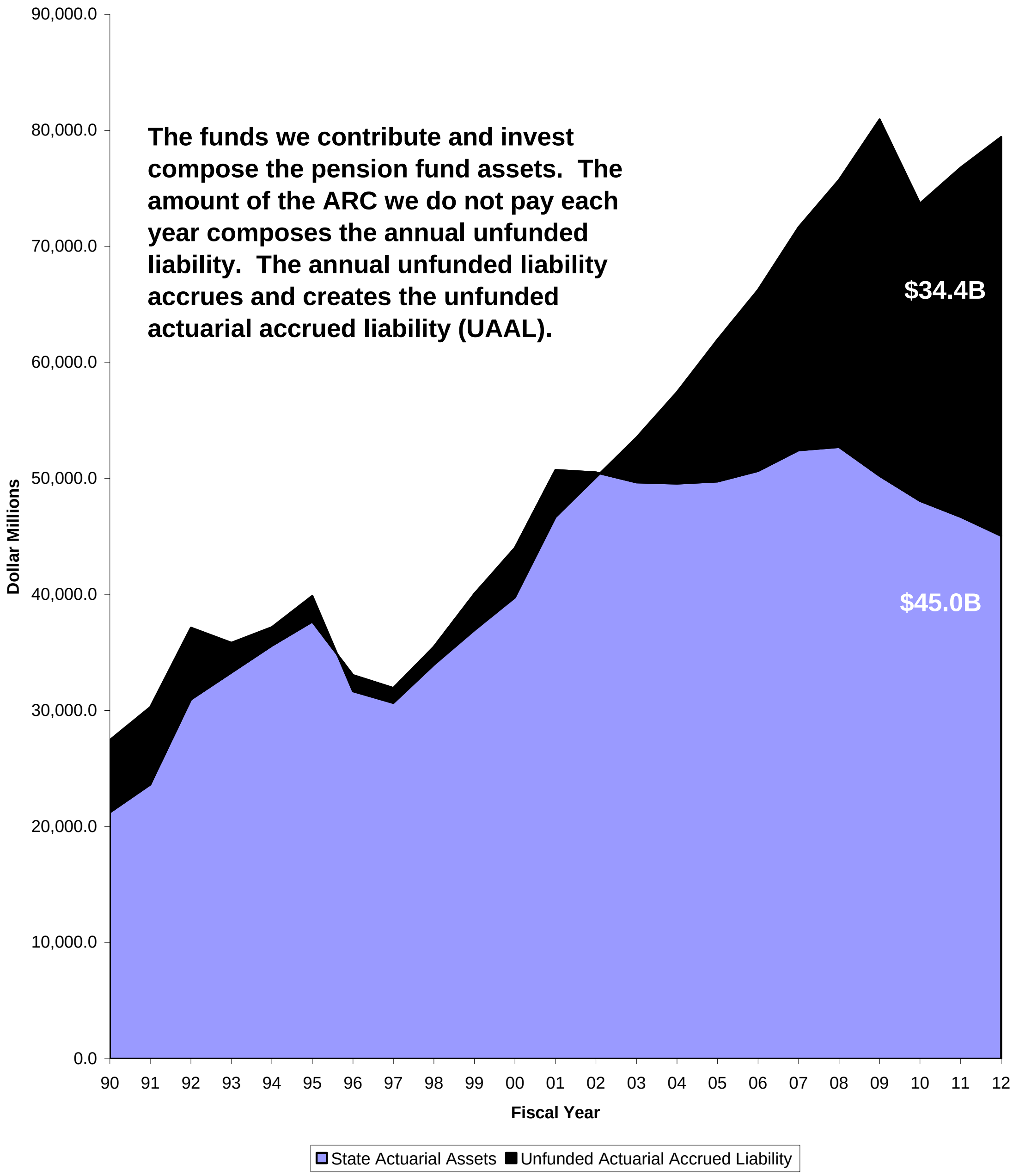
Although this paper focuses primarily on the State pension plans, local employers also participate in these State-administered pension plans through PERS-local and PFRS-local. This chart includes the local portion because it was not possible to allocate the investment income between State and local plans.

Background Paper: Pension Funding At-A-Glance (Cont'd)

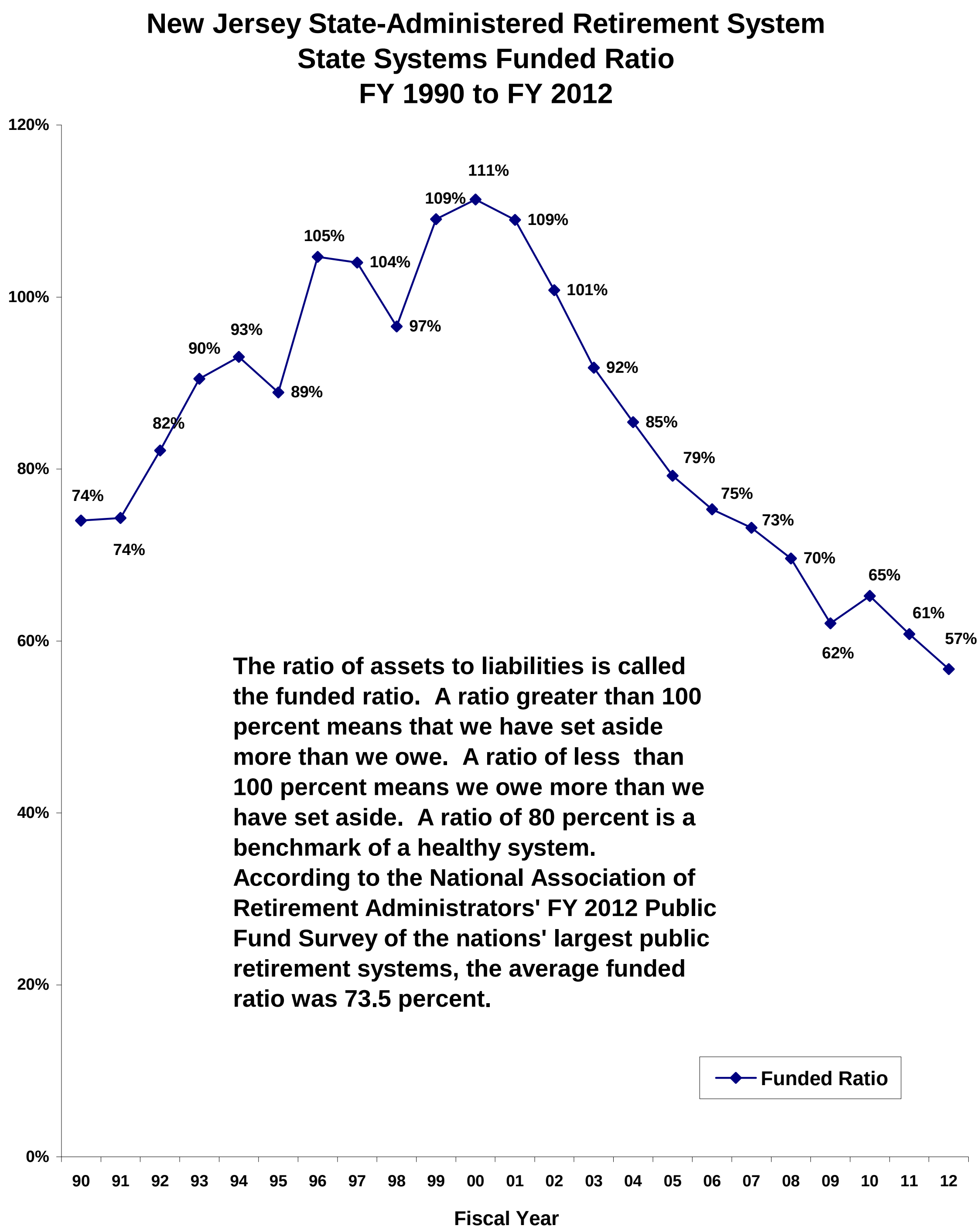


Background Paper: Pension Funding At-A-Glance (Cont'd)

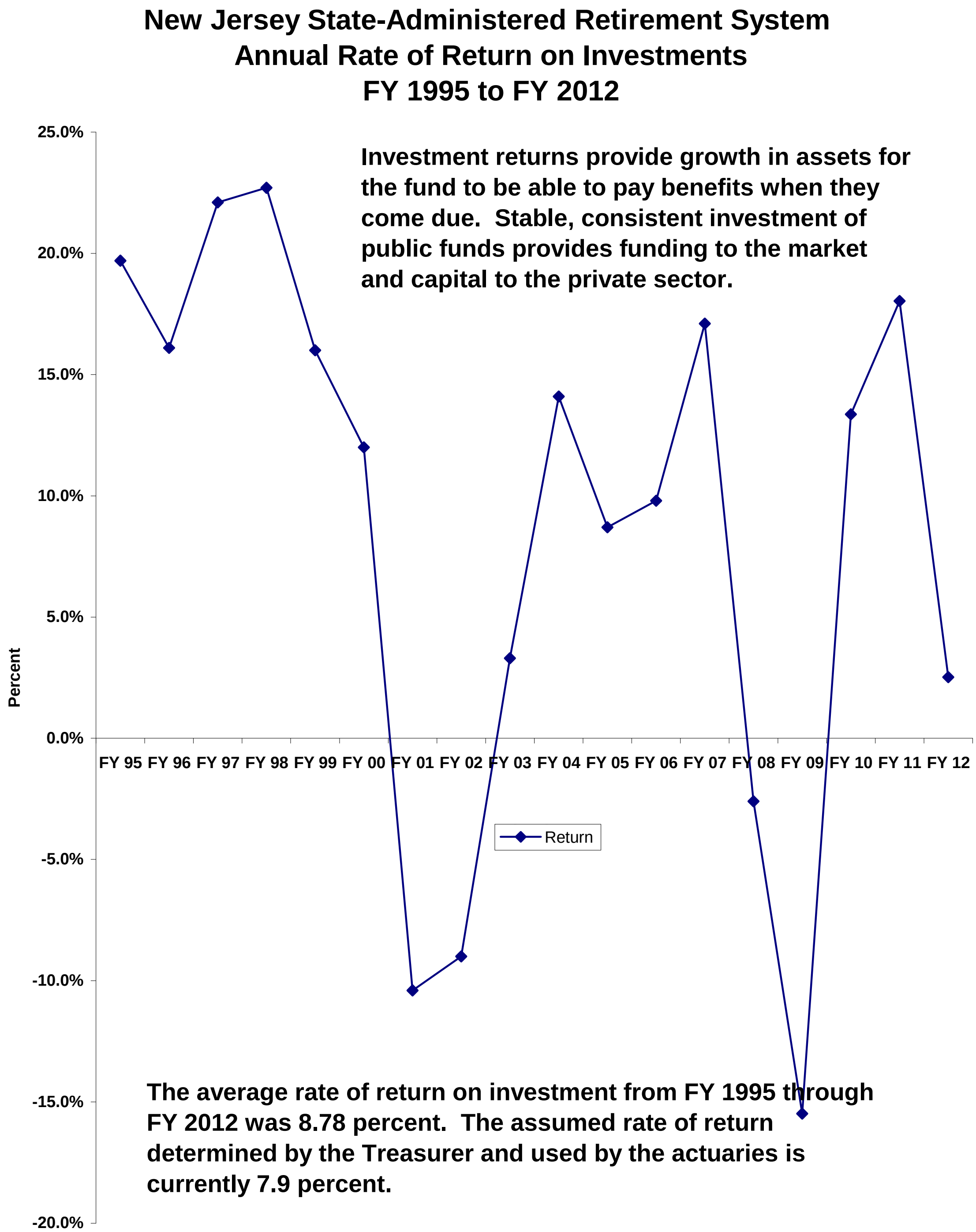
New Jersey State-Administered Retirement System
Actuarial Assets to Unfunded Acturarial Accrued Liability
FY 1990 to FY 2012



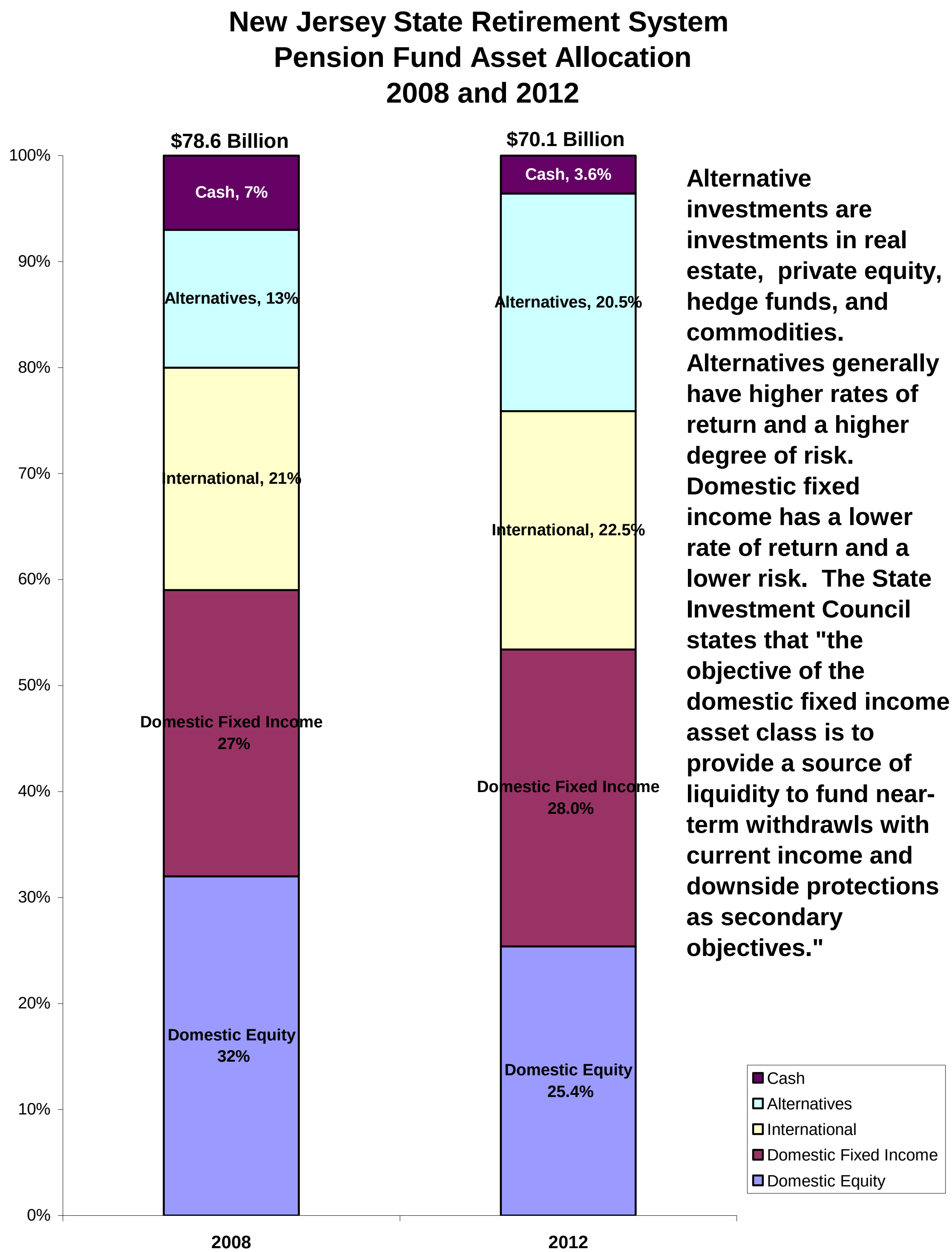
Background Paper: Pension Funding At-A-Glance (Cont'd)



Background Paper: Pension Funding At-A-Glance (Cont'd)

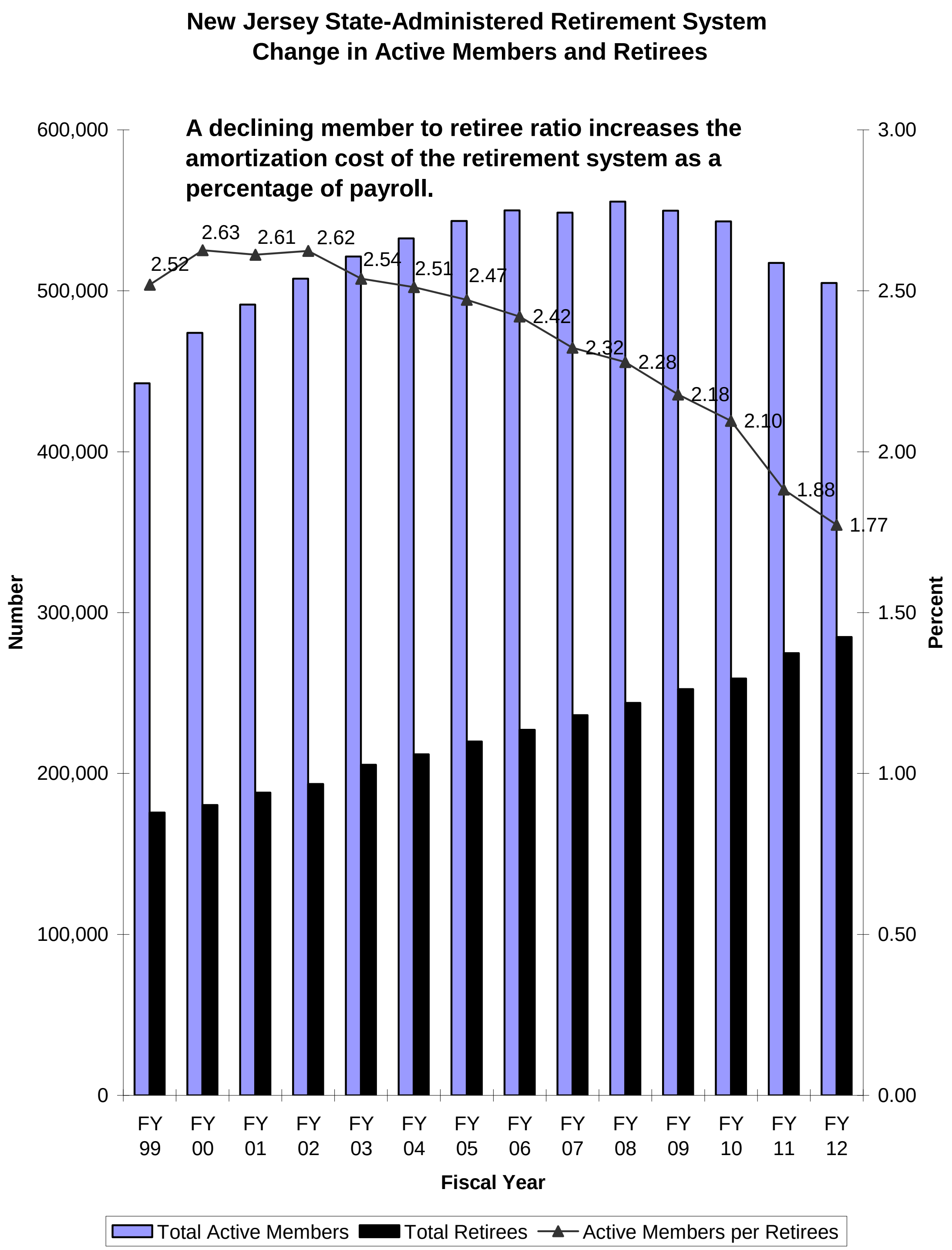


Background Paper: Pension Funding At-A-Glance (Cont'd)



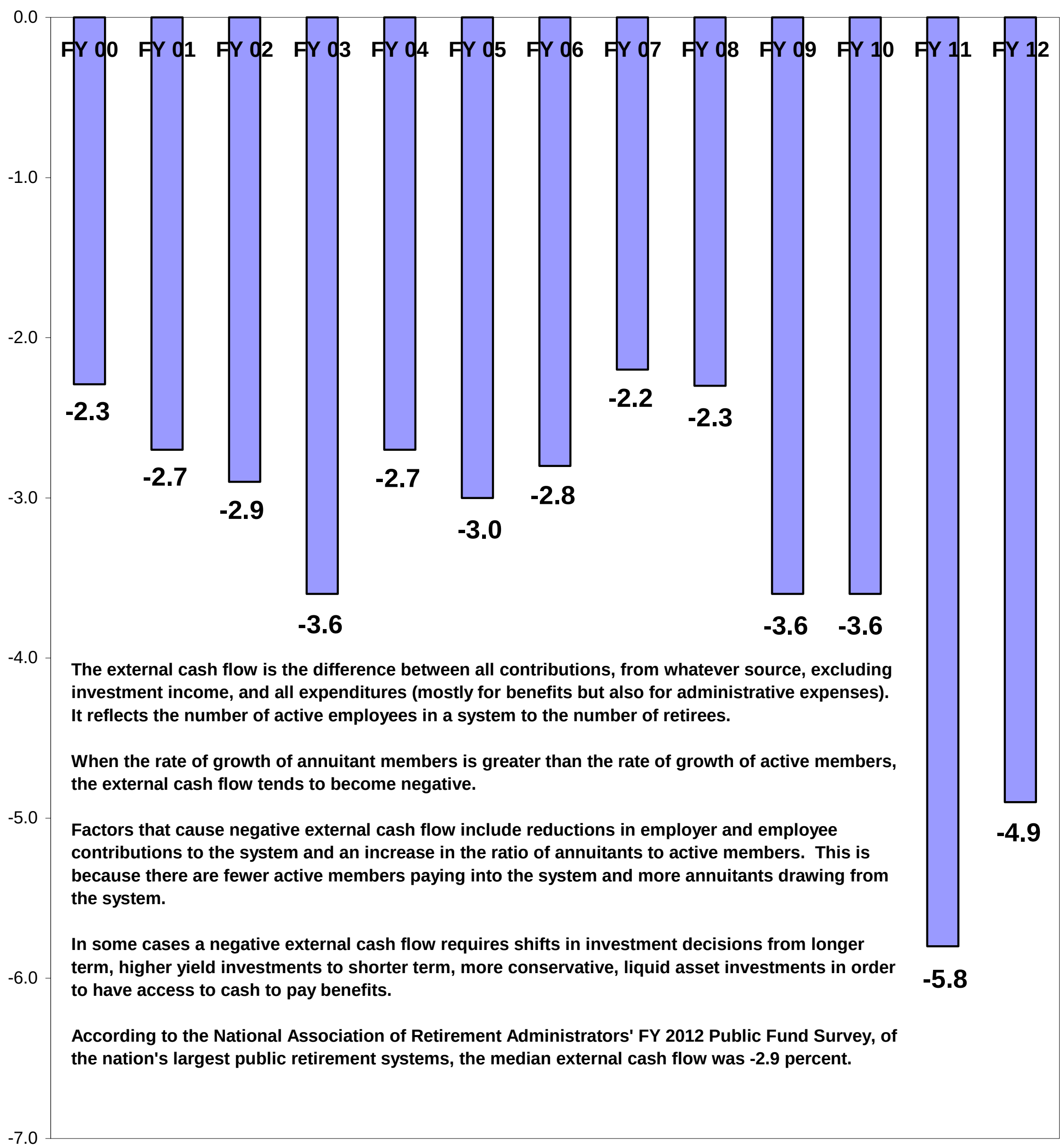
Alternative investments are investments in real estate, private equity, hedge funds, and commodities. Alternatives generally have higher rates of return and a higher degree of risk. Domestic fixed income has a lower rate of return and a lower risk. The State Investment Council states that "the objective of the domestic fixed income asset class is to provide a source of liquidity to fund near-term withdrawls with current income and downside protections as secondary objectives."

Background Paper: Pension Funding At-A-Glance (Cont'd)

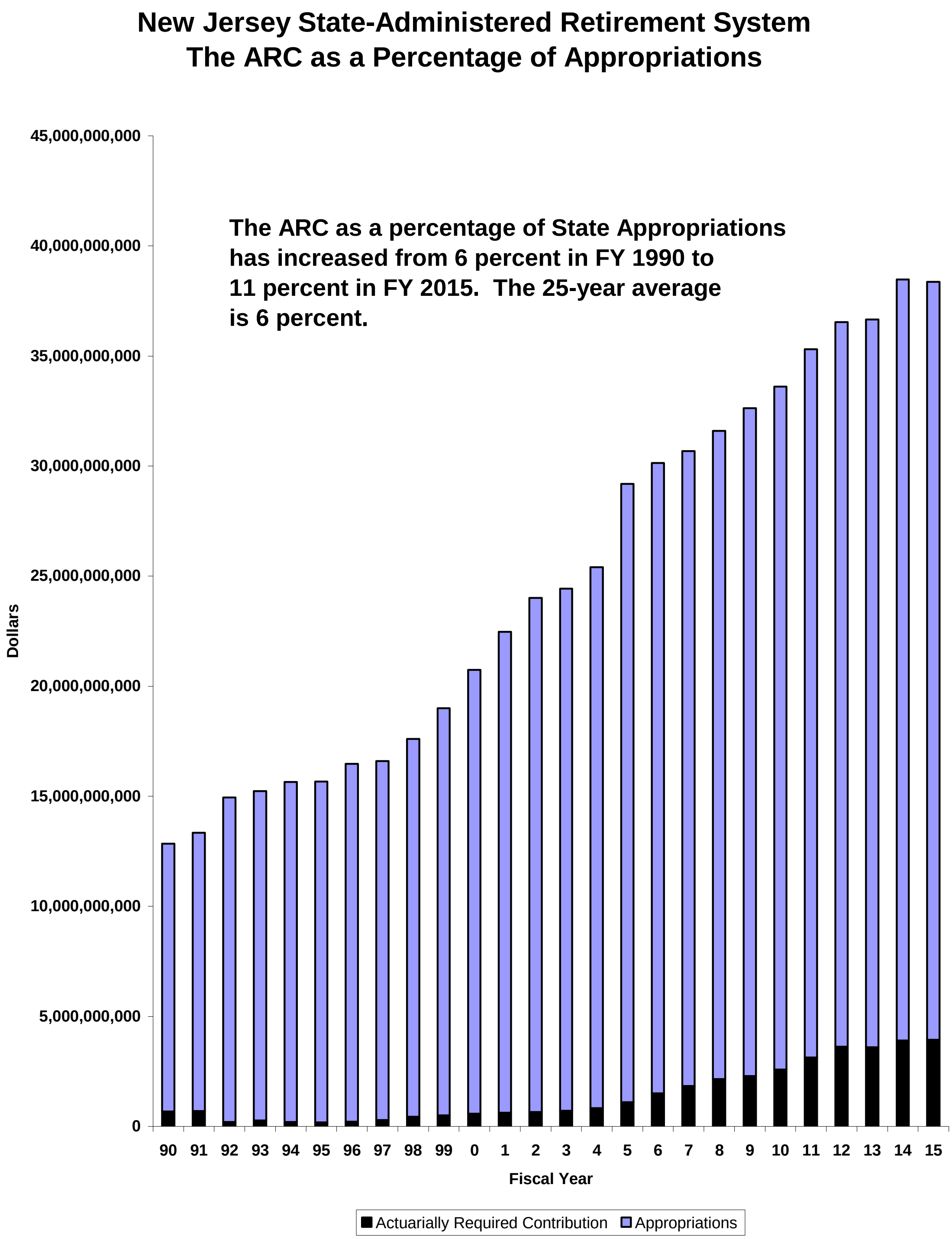


Background Paper: Pension Funding At-A-Glance (Cont'd)

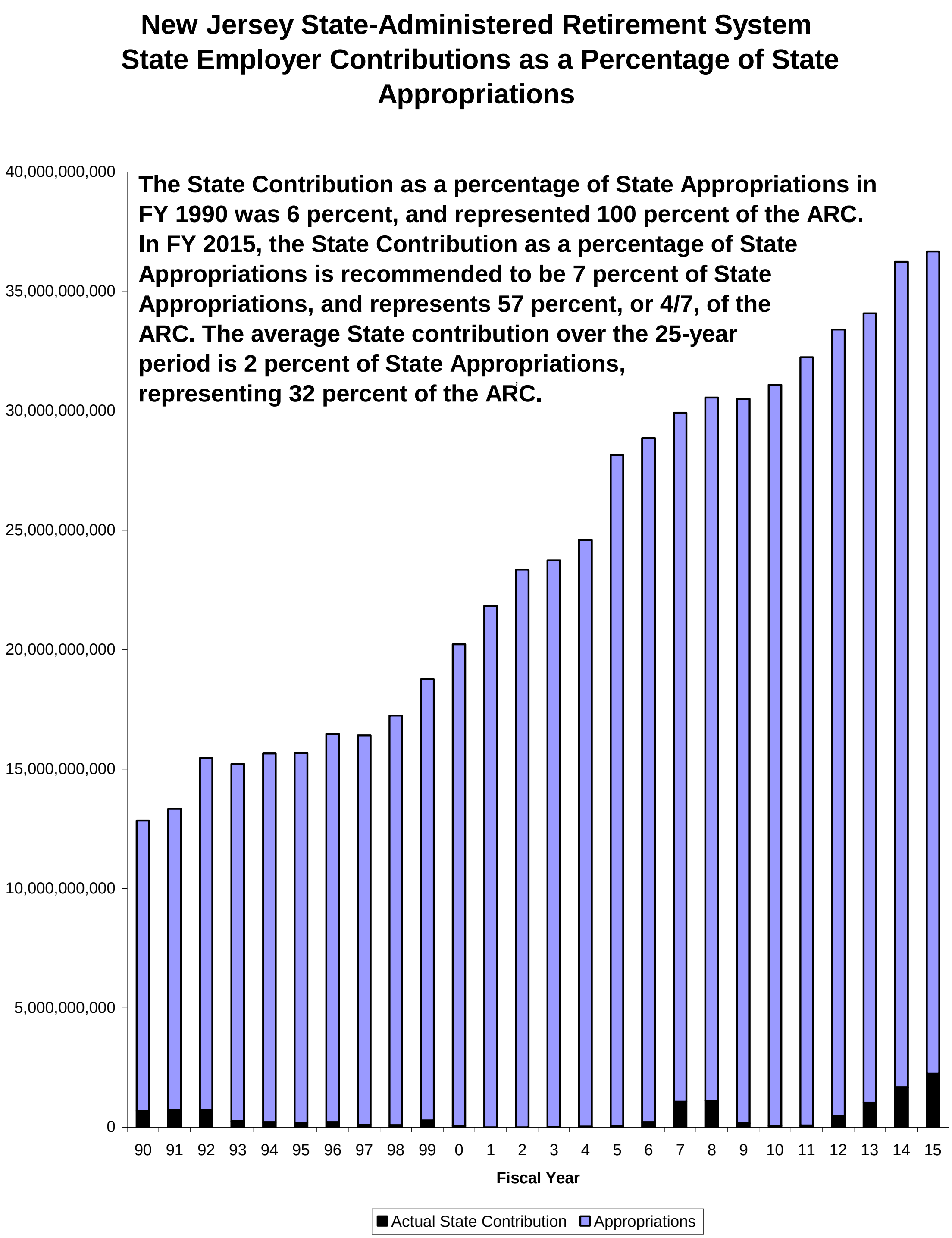
New Jersey State-Administered Retirement System External Cash Flow



Background Paper: Pension Funding At-A-Glance (Cont'd)



Background Paper: Pension Funding At-A-Glance (Cont'd)



OFFICE OF LEGISLATIVE SERVICES

The Office of Legislative Services provides nonpartisan assistance to the State Legislature in the areas of legal, fiscal, research, bill drafting, committee staffing and administrative services. It operates under the jurisdiction of the Legislative Services Commission, a bipartisan body consisting of eight members of each House. The Executive Director supervises and directs the Office of Legislative Services.

The Legislative Budget and Finance Officer is the chief fiscal officer for the Legislature. The Legislative Budget and Finance Officer collects and presents fiscal information for the Legislature; serves as Secretary to the Joint Budget Oversight Committee; attends upon the Appropriations Committees during review of the Governor's Budget recommendations; reports on such matters as the committees or Legislature may direct; administers the fiscal note process and has statutory responsibilities for the review of appropriations transfers and other State fiscal transactions.

The Office of Legislative Services Central Staff provides a variety of legal, fiscal, research and administrative services to individual legislators, legislative officers, legislative committees and commissions, and partisan staff. The central staff is organized under the Central Staff Management Unit into ten subject area sections. Each section, under a section chief, includes legal, fiscal, and research staff for the standing reference committees of the Legislature and, upon request, to special commissions created by the Legislature. The central staff assists the Legislative Budget and Finance Officer in providing services to the Appropriations Committees during the budget review process.

Individuals wishing information and committee schedules on the FY 2015 budget are encouraged to contact:

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