State of New Jersey

OFFICE OF THE STATE TREASURER
PO BOX 002
TRENTON NJ 08625-0002

CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

ANDREW P. SIDAMON - ERISTOFF
State Treasurer

April 9, 2014

David J. Rosen, Ph.D.
Legislative Budget and Finance Officer
Office of Legislative Services
State House Annex
P.O. Box 068
Trenton, NJ 08625-0068

Dear Dr. Rosen:

I write in response to Chairman Sarlo's letter of April 3rd, which included the following question:

> ***In his Fiscal Year 2015 Budget Address on February 25, 2014, the Governor mentioned that "[t]his budget, when you take out pension and health care costs and debt service, is $2.2 billion smaller than Fiscal Year 2008." Is it fair to say that two spending categories alone account for the difference: Homestead Rebates/Benefits, $1,692 million reduction ($395 million proposed FY 2015 appropriation, $2,087 million expended in FY 2008) and Municipal Aid, $492 million reduction ($1,505 million in FY 2015 and $1,997 million in FY 2008 Appropriations Act)?***

We suspect that you would agree that the question's characterization of the difference between Fiscal Year 2008 and proposed Fiscal Year 2015 appropriations is overly generalized and not particularly informative. As a "snapshot" juxtaposition of net spending changes, it discounts the role and significance of hundreds of offsetting budget adjustments---both positive and negative, against base spending or projected growth, and within and across programs---and the impact of cost avoidance that the Executive and Legislature have agreed to, or realized, as a function of the annual budget process over time. For example, this snapshot does not account for the $749 million in avoided pension costs that State-level reforms and adjustments will have delivered to local governments in Fiscal Year 2015, more than offsetting the difference in Municipal Aid since Fiscal Year 2008.

Sincerely,

Andrew Sidamon-Eristoff
State Treasurer