

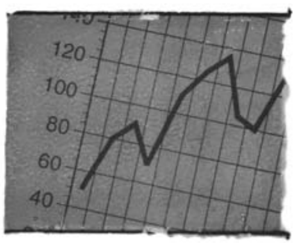



ANALYSIS OF THE NEW JERSEY BUDGET

INTERDEPARTMENTAL ACCOUNTS

FISCAL YEAR 2008 - 2009

PREPARED BY OFFICE OF LEGISLATIVE SERVICES
NEW JERSEY LEGISLATURE •APRIL 2008

NEW JERSEY STATE LEGISLATURE

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INTERDEPARTMENTAL ACCOUNTS

Budget Pages....... C-11, C-20, C-29, C-31, D-457 to D-473

Fiscal Summary ($000)

	Expended FY 2007	Adjusted Appropriation FY 2008	Recommended FY 2009	Percent Change 2008-09
State Budgeted	$3,098,448	$3,286,553	$3,306,741	0.6%
Federal Funds	197	0	0	—
Other	61	3,500	3,500	0.0%
Grand Total	$3,098,706	$3,290,053	$3,310,241	0.6%

Personnel Summary - Positions By Funding Source

	Actual FY 2007	Revised FY 2008	Funded FY 2009	Percent Change 2008-09
State	0	0	0	—
Federal	0	0	0	—
Other	0	0	0	—
Total Positions	0	0	0	—

FY 2007 (as of December) and revised FY 2008 (as of January) personnel data reflect actual payroll counts. FY 2009 data reflect the number of positions funded

Key Points

Employee Benefits

- The FY 2009 Governor's Budget recommends an appropriation of approximately $1.769 billion to provide funding for employee benefits for active and retired State employees. This is approximately $13 million, or less than 1 percent, higher than the FY 2008 adjusted appropriation of $1.756 billion. This proposed increase is due primarily to projected increases in post retirement medical benefit costs, debt service on pension obligation bonds, and unemployment insurance liability costs. These higher costs are partially offset by a reduction in State Employees' Health Benefits and social security taxes due to the proposed Early Retirement Incentive (ERI) and other workforce reduction efforts.

Key Points (Cont'd)

Post Retirement Medical Benefits

- Post Retirement Medical Benefit appropriations are accounted for in three sections of the Governor's Budget: Interdepartmental Accounts; Education; and Treasury. The FY 2009 Governor's Budget proposes total appropriations of $1.145 billion to pay for the annual retiree health care costs consistent with law, on a pay-as-you-go basis. This amount is $16.2 million more than the FY 2008 appropriations totaling $1.129 billion.

Post Retirement Medical Benefits Appropriations FY 2008 and FY 2009 (000s)			
	FY 2008	FY 2009	Percent Change
Interdepartmental Accounts	$338,632	$355,046	4.8%
Education	751,139	750,129	(0.1)%
Treasury	38,743	39,718	2.5%
Total	$1,128,514	$1,144,893	1.5%

Pensions

- Pension System appropriations are also accounted for in multiple sections of the Governors' Budget: Interdepartmental, Education, and Treasury. Overall appropriations for FY 2009 for the State-administered retirement systems remain essentially unchanged at $1.126 billion. Recommended funding for normal and accrued liability contributions to defined benefit retirement systems total $1.046 billion, unchanged from FY 2008. The percentage of full funding this represents is unknown, but will differ by system and may be less than 50 percent in the aggregate. Funding for non-contributory group life insurance premiums and the Alternate Benefits Program is recommended at $206.3 million, an increase of $8 million over FY 2008.

Early Retirement Incentive Program

- The FY 2009 Governor's Budget proposes an early retirement incentive in an effort to achieve long term savings through a reduction in the State's workforce. The Governor's ERI will allow for only a ten percent backfill of the vacated positions and this limitation will be provided for in statute. Estimated savings that would occur as a result of the ERI are $136 million which includes $145.3 million in salary plus $11.1 million in fringe benefits (including reductions in payroll taxes), less $20.5 million in related unused accumulated sick leave payments. The Governor's Budget would also establish a special reserve of which $300 million may be used to fund part of the ERI pension liability in FY 2009. This special reserve may be in doubt in light of the Governor's announcement on April 1, 2008 of a plan to direct $260 million of General Fund surplus to the Unemployment Compensation Fund, to avoid an employer payroll tax increase.

Salary Increases

- The FY 2009 Governor's Budget provides for a net increase in Salary Increases and Other Benefits of $18.9 million. This amount represents a $155.2 million increase in salaries due to contractual COLAs and employee increments for eligible State employees in FY 2009, offset partially by $145.3 million in estimated salary savings

Key Points (Cont'd)

associated with the proposed Early Retirement Incentive (ERI), and an increase of $9 million in "Employee Actions-Delayed Implementation." Additionally, the Governor's Budget provides $38.5 million to fund 80 percent of the estimated institutional costs for the FY 2009 COLA for employees of State colleges and universities. Finally, the Governor's Budget provides $34.4 million for unused sick leave payments of which $20.5 million represents an estimate of the unused sick leave liability under the proposed ERI.

Property Rentals

- The FY 2009 Governor's Budget recommends an appropriation of $150.5 million for Property Rentals, a reduction of $27 million below FY 2008. The budget projects that the total costs of Property Rentals will be defrayed through a combination of newly recommended savings measures including: $25 million in savings in procurement efficiencies transferred from departmental accounts to the property rentals account; $5.6 million in transfers from the Motor Vehicle Commission; and $4.9 million in Central Rent lease savings. These reductions, however, are offset by an increase of $10.1 million in debt service costs for reconstruction and capital improvements to the Greystone Park and Ancora psychiatric facilities. A comprehensive Space Utilization initiative has been implemented to consolidate leased and State-owned office space and to relocate staff accordingly. Savings from the office space consolidation are estimated to accrue over the next two years.

Utilities and Other Services

- The FY 2009 Governor's Budget recommends an appropriation of approximately $65.8 million to fund Utilities and Other Services or $326,000 less than in FY 2008. This results from an increase of $2.7 million to fund higher fuel and utility costs, and proposed decreases to Household and Security funding of approximately $3 million due to a $2.5 million transfer from the Motor Vehicle Commission and a pro-rated charge of $526,000 to the New Jersey Public Broadcasting Authority for occupancy costs in State-owned buildings.

Aid to Independent Authorities

- The FY 2009 Governor's Budget recommends an appropriation of $137.8 million in Grants-In-Aid funding to Independent Authorities, a decrease of $17.5 million, or 11.3 percent below the FY 2008 adjusted appropriation. This funding represents payments pursuant to State contracts, to support debt service on bonds issued by authorities for various projects which are not self sustaining from revenues. The decrease in funding is due primarily to reduced debt service costs consistent with the maturity schedules on outstanding bonds. Projected debt service needs may undergo further revision given recent issues associated with auction rate and variable rate securities and changes in the capital markets.

Capital Construction

- The FY 2009 Governor's Budget provides language that appropriates $34.1 million from the "Long Term Obligation and Capital Expenditure Reserve" for various capital construction projects. Among the projects listed are amounts for Statewide capital projects typically accounted for in the Interdepartmental Accounts budget including:

Key Points (Cont'd)

$1 million for Americans with Disabilities Act Compliance Projects; $1 million for Hazardous Materials Removal Projects; $3.5 million for Renovation Projects, Existing and Anticipated Leases; and $2 million for Security Projects. Hence, there are no recommended appropriations for these projects in the Interdepartmental Accounts budget for FY 2009. Combined with the elimination of one-time supplemental funding for the Garden State Preservation Trust, these changes lead to a decrease of $38.7 million in budgeted funding for Statewide capital projects.

Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS ($000)

	Expended FY 2007	Adj. Approp. FY 2008	Recom. FY 2009	Percent Change 2007-09	Percent Change 2008-09
General Fund					
Direct State Services	2,006,862	2,138,643	2,153,528	7.3%	0.7%
Grants-In-Aid	882,851	900,773	944,795	7.0%	4.9%
State Aid	0	0	0	0.0%	0.0%
Capital Construction	208,735	247,137	208,418	(0.2%)	(15.7%)
Debt Service	0	0	0	0.0%	0.0%
Sub-Total	**$3,098,448**	**$3,286,553**	**$3,306,741**	**6.7%**	**0.6%**
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	**$3,098,448**	**$3,286,553**	**$3,306,741**	**6.7%**	**0.6%**
Federal Funds	$197	$0	$0	(100.0%)	0.0%
Other Funds	$61	$3,500	$3,500	5637.7%	0.0%
Grand Total	**$3,098,706**	**$3,290,053**	**$3,310,241**	**6.8%**	**0.6%**

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 2007	Revised FY 2008	Funded FY 2009	Percent Change 2007-09	Percent Change 2008-09
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 2007 (as of December) and revised FY 2008 (as of January) personnel data reflect actual payroll counts. FY 2009 data reflect the number of positions funded.

AFFIRMATIVE ACTION DATA

Total Minority Percent	0.0%	0.0%	0.0%	—	—

Significant Changes/New Programs ($000)

Budget Item	Adj. Approp. FY 2008	Recomm. FY 2009	Dollar Change	Percent Change	Budget Page

GENERAL GOVERNMENT SERVICES

Direct State Services

Property Rentals

The Property Rentals account funds existing and anticipated leases of offices and other facilities used by State agencies, payments 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.

Budget Item	Adj. Approp. FY 2008	Recomm. FY 2009	Dollar Change	Percent Change	Budget Page
Existing and Anticipated Leases	**$212,269**	**$206,656**	**($5,613)**	**(2.6%)**	**D-461**
Economic Development Authority	**$17,096**	**$17,114**	**$18**	**0.1%**	**D-461**
Other Debt Service Leases and Tax Payments	**$23,590**	**$33,679**	**$10,089**	**42.8%**	**D-461**
Less: Total Deductions	**($80,056)**	**($112,828)**	**($32,772)**	**40.9%**	**D-461**
Net Property Rentals	**$172,889**	**$144,621**	**($28,268)**	**(16.3%)**	**D-461**

The Existing and Anticipated Leases appropriation comprises funding for office space and other property rentals for State agencies from both State and non-State, e.g., federal sources. The FY 2009 Governor's Budget recommends a total appropriation of $206.7 million, $5.6 million below FY 2008.

The Economic Development Authority and Other Debt Service Leases and Tax Payment appropriations provide funding for debt service leases and payments in lieu of property taxes on facilities financed by independent public entities and occupied by State agencies. The FY 2009 Governor's Budget recommends total appropriations of $50.8 million for these two accounts, an increase of $10.1 million. The primary reason for this increase is due to increased debt service payments on the reconstruction project at Greystone Park Psychiatric Hospital.

According to the FY 2009 Budget-in-Brief, the State initiated a Statewide assessment of owned and leased buildings in FY 2008 with the goal of maximizing the use of existing office space. Under this initiative, all departments report the use of work space and distribution of employees by program. Other initiatives include the "restacking" of existing buildings, which makes it possible to eliminate new leases in areas where surplus is available. In FY 2009, an effort is being made to consolidate agency staff from leased spaces with expiring rental contracts into vacant space in State-owned buildings.

The FY 2009 Governor's Budget recommends a net appropriation of $144.6 million for Property Rentals, a reduction of $28.3 million below FY 2008. The budget projects that the

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

Budget Item	Adj. Approp. FY 2008	Recomm. FY 2009	Dollar Change	Percent Change	Budget Page

total costs of Property Rentals, $206.7 million, will be defrayed through a combination of newly recommended savings measures including: $25 million in savings in procurement efficiencies transferred from departmental accounts to the property rentals account; $5.6 million in transfers from the Motor Vehicle Commission; and $4.9 million in Central Rent lease savings. These reductions, however, are offset by an increase of $10.1 million in debt service costs for reconstruction and capital improvements to the Greystone Park and Ancora psychiatric facilities.

Additions, Improvements and Equipment	**$4,532**	**$5,856**	**$1,324**	**29.2%**	**D-461**

The Additions, Improvements and Equipment appropriation provides funding for debt service payments for additions and improvements to State-owned buildings and for the purchase of equipment and improvements such as fire sprinklers and office furnishings. The FY 2009 Governor's Budget recommends an increase of $1.3 million to pay for higher line of credit financing costs for renovations at the Ancora Psychiatric Hospital.

Fuel and Utilities	**$56,687**	**$59,387**	**$2,700**	**4.8%**	**D-461**

The Fuel and Utilities item provides funding for heating, electrical, janitorial and trash removal needs for various State-owned buildings, primarily in the Capital Complex, that houses the State workforce as well as some fuel and utility costs for State departments. The proposed FY 2009 Governor's Budget recommends a total increase in the appropriation of $2.7 million to fund fuel and utility costs. About $29.4 million is expected to be transferred to other departments for costs of facilities outside the Capitol Complex. According to the Budget-in-Brief (page 40), new energy contracts involving both electricity and natural gas are expected to deliver a 1.2 percent reduction in the State's electricity price and a five percent reduction in the price of natural gas, which will carry forward for three years, equating to $27.1 million in avoided energy costs for the State.

Household and Security	**$9,469**	**$6,443**	**($3,026)**	**(32.0%)**	**D-461**

The Household and Security item funds contract costs for household and security costs such as janitorial and trash removal services. The FY 2009 Governor's Budget recommends a decrease in the recommended appropriation of $3 million. The reduction is intended to be offset by a $2.5 million transfer from the Motor Vehicle Commission and a pro-rated charge of $526,000 to the New Jersey Public Broadcasting Authority for building occupancy costs not previously charged to each agency.

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

Budget Item	Adj. Approp. FY 2008	Recomm. FY 2009	Dollar Change	Percent Change	Budget Page

Grants-in -Aid

Business Employment Incentive Program EDA Debt Service	**$52,137**	**$40,514**	**($11,623)**	**(22.3%)**	**D-461**

The Economic Development Authority (EDA) makes grants through the Business Employment Incentive Program (BEIP) to businesses that are expanding or relocating. The expectation is that these businesses will create jobs in New Jersey. Grants may be awarded for up to ten years and can range between ten and eighty percent of the total amount of State income taxes withheld by the company during the calendar year from the new employees hired. For three fiscal years, the State paid for BEIP grants by issuing debt rather than by General Fund appropriations. The decline in debt service costs is consistent with the maturity schedule on outstanding bonds. Additionally, the decline in debt service correlates to the cessation of financing BEIP grants through borrowing and the return to pay-as-you-go funding.

Liberty Science Center EDA	**$8,081**	**$7,017**	**($1,064)**	**(13.2%)**	**D-461**

The Liberty Science Center located in Liberty State Park in Jersey City is the region's largest science education center. It is an innovative science museum that provides interactive science and technology education for the study and exploration of nature, humanity, and technology. The Liberty Science Center reopened in the Summer of 2007 after undergoing a major expansion and renewal project. The FY 2009 Governor's Budget recommends a decrease of approximately $1.1 million in debt service costs through the Economic Development Authority for the Liberty Science Center renewal and expansion project which is consistent with the maturity schedule on outstanding bonds and the completion of the project.

NJSEA Sports Complex	**$44,062**	**$39,312**	**($4,750)**	**(10.8%)**	**D-462**

The FY 2009 Governor's Budget recommends a decrease of approximately $4.8 million in outstanding debt service costs which is consistent with the maturity schedule on contract bonds. However, to the extent that some of these bonds may have been issued with variable interest rates, the debt service costs may change.

Capital Construction

This category funds various Statewide capital projects administered by the Department of the Treasury on behalf of State agencies.

Roof Repairs-Statewide	**$7,000**	**$0**	**($7,000)**	**(100.0%)**	**D-462**

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

Budget Item	Adj. Approp. FY 2008	Recomm. FY 2009	Dollar Change	Percent Change	Budget Page

The FY 2009 Governor's Budget deletes funding for roof repairs. In accordance with budget language, the Long Term Obligation and Capital Expenditure Reserve provides $34.1 million for various Statewide capital construction improvement projects, as listed. Roof repairs are not listed among them. However, according to the Governor's Budget, $17 million from non-State funds is available for Statewide Fire, Life Safety, and Renovation Projects which includes an amount of $8.3 million for roof repairs.

Americans with Disabilities Act Compliance Projects-Statewide	**$1,000**	**$0**	**($1,000)**	**(100.0%)**	**D-462**

The FY 2009 Governor's Budget deletes $1million for Americans with Disabilities Act Compliance Projects-Statewide. However, in accordance with budget language, the proposed Long Term Obligation and Capital Expenditure Reserve would provide $1 million in funding for these projects.

Hazardous Materials Removal Projects-Statewide	**$1,975**	**$0**	**($1,975)**	**(100.0%)**	**D-462**

The FY 2009 Governor's Budget deletes $1.975 million for Hazardous Materials Removal Projects-Statewide. However, in accordance with budget language, the proposed Long Term Obligation and Capital Expenditure Reserve would provide $1 million in funding for Hazardous Materials Removal Projects-Statewide.

Fire Code Compliance	**$200**	**$0**	**($200)**	**(100.0%)**	**D-462**

The proposed FY 2009 reduction in the Fire Code Compliance account represents the deletion of one-time funding in FY 2008 that was provided to fund a fire code remediation study.

Statewide Security Projects	**$2,000**	**$0**	**($2,000)**	**(100.0%)**	**D-462**

The FY 2009 Governor's Budget deletes $2 million in funding for Statewide Security Projects. However, in accordance with budget language, the proposed Long Term Obligation and Capital Expenditure Reserve would provide $2 million for these projects.

Renovation Projects, Existing and Anticipated Leases	**$2,500**	**$0**	**($2,500)**	**(100.0%)**	**D-462**

The FY 2009 Governor's Budget deletes $2.5 million in funding for Renovation Projects, Existing and Anticipated Leases. However, in accordance with budget language, the proposed

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

Budget Item	Adj. Approp. FY 2008	Recomm. FY 2009	Dollar Change	Percent Change	Budget Page

Long Term Obligation and Capital Expenditure Reserve would provide $3.5 million for these projects.

Budget Item	Adj. Approp. FY 2008	Recomm. FY 2009	Dollar Change	Percent Change	Budget Page
Audiovisual Equipment Replacement Thomas Edison State college	**$360**	**$0**	**($360)**	**(100.0%)**	**D-462**

The FY 2008 Appropriations Act provided a capital appropriation of $360,000, in one-time funds, to the State Library for equipment for the Library for the Blind and Handicapped (LBH) Audio Vision Program so this radio reading service could be continued for those citizens who cannot read a daily newspaper. The program records and broadcasts seven NJ newspapers and national and international programming over closed circuit radio and the internet 24 hours a day. The LBH loans special pre-tuned receivers to patrons to allow them to receive its signal. Because the Federal Communications Commission requires that, beginning in 2009, all broadcasts be digital, all of the program's analog receivers that were in use by patrons needed to be replaced with digital receivers, or they would not be able to receive the transmissions as of February 2009. The $360,000 will purchase 1,200 receivers and provide equipment upgrades for the library to permit proper transmission. The FY 2009 Governor's Budget proposes to delete this one-time funding.

New Jersey Building Authority Debt Service-General State Projects

Budget Item	Adj. Approp. FY 2008	Recomm. FY 2009	Dollar Change	Percent Change	Budget Page
Southwoods State Prison	**$30,392**	**$32,991**	**$2,599**	**8.6%**	**D-462**
State House Renovations	**$21,128**	**$21,519**	**$391**	**1.9%**	**D-462**
Hughes Justice Complex	**$11,838**	**$15,051**	**$3,213**	**27.1%**	**D-462**
Other State Projects	**$23,568**	**$21,042**	**($2,526)**	**(10.7%)**	**D-462**
State Police Multipurpose Building/Troop "C" Headquarters	**$8,116**	**$8,262**	**$146**	**1.8%**	**D-462**
State Police Emergency Operations Center	**$1,525**	**$1,553**	**$28**	**1.8%**	**D-462**
Total, New Jersey Building Authority	**$96,567**	**$100,418**	**$3,851**	**4.0%**	**----**

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

Budget Item	Adj. Approp. FY 2008	Recomm. FY 2009	Dollar Change	Percent Change	Budget Page

Through lease agreements, the State pays the debt service on bonds issued by the New Jersey Building Authority to construct or improve State facilities and also pays authority administrative costs. The FY 2009 Governor's Budget recommends an appropriation of approximately $100.4 million to fund building authority debt service. This represents an increase of $3.8 million or 4 percent over the FY 2008 level. According to the August 2007 Official Statement accompanying the authority's most recent bond sale, debt service on all outstanding bonds will total $98 million in FY 2009. This increase of $3.8 million is consistent with the maturity schedules on outstanding bonds. However, these debt service costs may be subject to change due to debt restructuring, auction bond market failure, and other problems in the capital markets.

EMPLOYEE BENEFITS

Direct State Services

Employee Benefits	**$1,755,524**	**$1,768,831**	**$13,307**	**0.8%**	**D-467**

There are three main categories within the Employee Benefits accounts: Pensions and Post Retirement Medical Benefits; Health Benefits; Other Fringe Benefits. All State employees, and most employees of counties, municipalities, and school districts, are members of one of the seven State retirement systems: Public Employees' Retirement System (PERS); Teachers' Pension and Annuity Fund (TPAF); Police and Firemen's Retirement System (PFRS); Consolidated Police and Firemen's Pension Fund (CPFPF); State Police Retirement System (SPRS); Judicial Retirement System (JRS); and Prison Officer's Pension Fund (POPF). Under current law, all defined pension benefit plans are subject to actuarial valuation every year and actuarial experience studies every three years. The FY 2009 Governor's Budget recommends an appropriation of approximately $1.769 billion to provide funding for employee benefits in Direct State Services. This is $13.3 million, or 0.8 percent higher than the FY 2008 adjusted appropriation of $1.756 billion. This proposed increase is due primarily to projected increases in post retirement medical benefit costs, debt service on pension obligation bonds, and unemployment insurance liability costs. These higher costs are partially offset by a reduction in State Employees' Health Benefits and social security taxes due to the proposed Early Retirement Incentive (ERI) and other workforce reduction efforts. Significant components of change are itemized below.

Public Employees' Retirement System-Post Retirement Medical	**$206,103**	**$216,898**	**$10,795**	**5.2%**	**D-467**

The Post Retirement Medical Account funds benefits for State employees who retire after 25 years of service as members of PERS. State employees who accrue 25 years of service receive fully or partially paid health benefits coverage in the State Health Benefit Program (SHBP) as well as the managed care plans and full or partial reimbursement of the prevailing cost of

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

Budget Item	Adj. Approp. FY 2008	Recomm. FY 2009	Dollar Change	Percent Change	Budget Page

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. The FY 2009 Governor's Budget recommends an increase of $10.8 million, an amount that would pay for the annual retiree health care costs consistent with law on a pay-as-you-go basis.

Debt Service on Pension Obligation Bonds	**$76,945**	**$83,665**	**$6,720**	**8.7%**	**D-468**

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. This appropriation represents continued State debt service payments on these bonds. Total pension obligation bond debt service is estimated to be approximately $212.2 million in FY 2009. Total funding for debt service on these bonds is budgeted within Interdepartmental Accounts ($88.5 million), the Department of Education ($112.5 million), and the Department of the Treasury ($11.2 million).

Other Pension Systems-Post Retirement Medical	**$66,887**	**$70,597**	**$3,710**	**5.5%**	**D-468**

The Other Pension Systems Post Retirement Medical account funds post retirement medical benefits for employees who retired from retirement systems other than the PERS and TPAF. Beneficiaries include retirees from the State Police, the Judicial Officers, Alternate Benefits Program and other consolidated retirement systems. The FY 2009 recommended increase represents the amount the State contributes that would pay for the annual retiree health care costs consistent with law on a pay-as-you-go basis.

State Employees' Health Benefits	**$463,738**	**$461,335**	**($2,403)**	**(0.5%)**	**D-468**
State Employees' Prescription Drug Program	**$185,435**	**$184,459**	**($976)**	**(0.5%)**	**D-468**
State Employees' Dental Program-Shared Cost	**$26,049**	**$26,100**	**$51**	**0.2%**	**D-468**
Total	**$675,222**	**$671,894**	**($3,328)**	**(0.5%)**	**-----**

The appropriations for the State employees' health benefits, prescription drugs, and dental coverage provide funding for active State employees' health care benefits. Total Health Benefits costs for employee health benefits are lower in FY 2009, primarily because of the estimated impact of the proposed Early Retirement Incentive (ERI).

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

Budget Item	Adj. Approp. FY 2008	Recomm. FY 2009	Dollar Change	Percent Change	Budget Page
Social Security Tax	**$372,531**	**$362,693**	**($9,838)**	**(2.6%)**	**D-468**

The Social Security Tax-State appropriation provides funding for the employer's share of Social Security contributions for State employees, not including employees of higher education institutions. The recommended appropriation is an estimate of the funding required to meet the State's liability as an employer to pay FICA, (Old Age, Survivors, and Disability Insurance) and Medicare taxes for FY 2009. The current rate for Social Security is 6.2 percent 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 increased from $97,500 in calendar year 2007 to $102,000 in calendar year 2008. The FY 2009 Governor's Budget recommends a decrease in the Social Security Tax-State appropriation of $9.8 million due mainly to savings anticipated from the Early Retirement Incentive.

Unemployment Insurance Liability	**$5,291**	**$9,715**	**$4,424**	**83.6%**	**D-468**

The Unemployment Insurance Liability recommended appropriation provides an estimate of the amount the State is required to pay in unemployment claims for former State employees if the employee payroll tax 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 0.2 percent of salary, up to the unemployment wage base of $27,700. After the employee's contribution is disbursed, the State, as an employer, contributes sufficient funds to keep the program solvent. The recommended increase anticipates higher claims that could result from targeted layoffs of State employees as part of overall workforce reduction initiatives.

Grants-in Aid

Employee Benefits	**$745,469**	**$768,514**	**$23,045**	**3.1%**	**D-468**

There are three main categories within the Grants-in-Aid Employee Benefits accounts: Pensions and Post Retirement Medical Benefits; Health Benefits; Other Fringe Benefits. The appropriations for employee benefits under Grants-In-Aid primarily fund higher education employees. The FY 2009 Governor's Budget recommends an appropriation of approximately $768.5 million to pay for employee benefits in the budget year. This is about 3.1 percent, or $23 million more than the FY 2008 adjusted appropriation of $745 million. This increase is primarily due to increased costs to the State to pay for the pension, health, and payroll taxes of State college and university employees. These costs are offset by reimbursements from the colleges and universities (page C-11) for their employees that are funded from non-State, e.g., federal grant, sources.

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

Budget Item	Adj. Approp. FY 2008	Recomm. FY 2009	Dollar Change	Percent Change	Budget Page
Alternate Benefit Program Employer Contributions	$119,058	$127,138	$8,080	6.8%	D-469

This Grants-in-Aid appropriation comprises the employer contribution to the Alternate Benefit Program for State colleges and universities, at a rate of eight percent of the members' base salary. The State also provides life insurance coverage and long-term disability coverage to plan members employed by various State higher education institutions. The FY 2009 Governor's Budget recommends an appropriation of $127.1 million to fully fund this contribution.

Budget Item	Adj. Approp. FY 2008	Recomm. FY 2009	Dollar Change	Percent Change	Budget Page
State Employees' Health Benefits	$240,602	$246,316	$5,714	2.4%	D-469
State Employees' Prescription Drug Program	$81,237	$80,834	($403)	(0.5%)	D-469
State Employees' Dental Program-Shared Costs	$11,126	$10,343	($783)	(7.0%)	D-469
Total	$332,965	$337,493	$4,528	1.4%	-----

The Grants-In-Aid recommended FY 2009 appropriations provide funding for employees at State colleges and universities.

Budget Item	Adj. Approp. FY 2008	Recomm. FY 2009	Dollar Change	Percent Change	Budget Page
Social Security Tax	$172,053	$179,535	$7,482	4.3%	D-469
Temporary Insurance Liability	$5,168	$5,631	$463	9.0%	D-469
Unemployment Insurance Liability	$3,314	$3,086	($228)	(6.9%)	D-469
Total Employer Payroll Taxes	$180,535	$188,252	$7,717	4.3%	----

The Grants-In-Aid recommended appropriations for Total Employer Payroll taxes include the Social Security Tax, Temporary Insurance Liability, and Unemployment Insurance Liability. These three appropriations provide funding for the employer share of employee taxes with respect to individuals employed at State higher education institutions.

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

Budget Item	Adj. Approp. FY 2008	Recomm. FY 2009	Dollar Change	Percent Change	Budget Page

OTHER INTERDEPARTMENTAL ACCOUNTS

Direct State Services

Budget Item	Adj. Approp. FY 2008	Recomm. FY 2009	Dollar Change	Percent Change	Budget Page
Interest On Short Term Notes	**$10,000**	**$0**	**($10,000)**	**(100.0%)**	**D-471**

In recent years, interest costs resulting from short-term borrowing for cash flow purposes have been funded by a combination of line item appropriations, premiums received at the time of notes sales, and interest earnings. Thus far in FY 2008, the State has issued $2 billion in tax and revenue notes (TRANS) to meet cash flow needs. Interest costs on these notes will total about $70.3 million, which will be offset by $13.4 million in original issue premiums. Thus, net interest costs will be approximately $56.9 million. Investment earnings of $46.9 million and the $10 million appropriation for short term notes will offset this cost in FY 2008. With the appropriation for Interest on Short Term Notes deleted in FY 2009, either the projected issuance and net interest cost of TRANS is lower or a greater amount of interest earnings will be used to offset interest costs, or both.

SALARY INCREASES

Direct State Services

Budget Item	Adj. Approp. FY 2008	Recomm. FY 2009	Dollar Change	Percent Change	Budget Page
Salary Increases and Other Benefits	**$0**	**$18,875**	**$18,875**	**—**	**D-472**

Salary increases for existing State positions are budgeted centrally in the Interdepartmental Accounts budget, then allocated to individual departments/agencies during the fiscal year. These increases include employee increments, cost-of-living adjustments (COLAs), and bonuses according to contractual agreements. Increases for the majority of State employees are subject to collective bargaining. The FY 2009 Governor's Budget provides for a net increase in Salary Increases and Other Benefits of $18.9 million. This amount represents a $155.2 million increase in salaries due to contractual COLAs and employee increments for eligible State employees in FY 2009, offset by $144.3 million in estimated salary savings associated with the proposed Early Retirement Incentive (ERI). In addition, the appropriation includes $9 million in "Employee Actions-Delayed Implementation."

Budget Item	Adj. Approp. FY 2008	Recomm. FY 2009	Dollar Change	Percent Change	Budget Page
Unused Accumulated Sick Leave Payments	**$13,900**	**$34,433**	**$20,533**	**47.7%**	**D-472**

Under current law, employees may accumulate sick leave that they have earned while working. When they retire, retirees may cash out a portion of their unused sick leave account balance. Current law provides for the payment of sick leave at 50 percent of the normal pay rate, up to a maximum of $15,000. The FY 2009 Governor's Budget proposes a $20.5 million

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

Budget Item	Adj. Approp. FY 2008	Recomm. FY 2009	Dollar Change	Percent Change	Budget Page

increase in the appropriation for unused sick leave. This increase is estimated to be the unused sick leave liability under the Governor's ERI proposal.

Grants-In-Aid

Budget Item	Adj. Approp. FY 2008	Recomm. FY 2009	Dollar Change	Percent Change	Budget Page
Salary Increases and Other Benefits	**$0**	**$38,485**	**$38,485**	**—**	**D-472**

This FY 2009 recommended appropriation for Grants-In-Aid, Salary Increases and Other Benefits, according to the Office of Management and Budget, represents 80 percent of the estimated institutional costs for the FY 2009 COLA. The State negotiates collective bargaining contracts, which include COLA and increments, for the nine State colleges and universities. Each of the three research universities negotiates its own contracts, but the settlements typically follow the State pattern.

Language Provisions

2008 Appropriations Handbook	2009 Budget Recommendations
	p. D-464
No comparable language.	There are appropriated such additional sums as may be required to pay for office renovations associated with the consolidation of office space, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

In FY 2008, the State initiated a statewide assessment of owned and leased buildings with the goal of maximizing the use of existing office space, known as the Space Utilization Initiative. In FY 2009, an effort is being made to consolidate agency staff from leased spaces with expiring rental contracts into vacant space in State-owned buildings. The proposed new language authorizes the Director of the Division of Budget and Accounting to appropriate additional unspecified funds to pay for office renovations to State-owned buildings associated with the consolidation of office space and staff relocation.

2008 Appropriations Handbook	2009 Budget Recommendations
	p. D-464
No comparable language.	In addition to the amount hereinabove appropriated for Property Rentals, there is appropriated to the Property Rentals program $5,638,000 from the Motor Vehicle Commission for property rental charges.

Explanation

The proposed language transfers $5.6 million from the Motor Vehicle Commission to pay for property rental charges, reflecting a new component of total projected reimbursements from agencies paying "direct" rent for facility use. This results in an offsetting reduction of equal amount to budgeted appropriations for Property Rentals.

2008 Appropriations Handbook	2009 Budget Recommendations
	p. D-464
No comparable language.	Notwithstanding the provisions of any law or regulation to the contrary, the Director of the Division of Budget and Accounting shall transfer from Departmental accounts and

Language Provisions (Cont'd)

2008 Appropriations Handbook	2009 Budget Recommendations
	p. D-464
	credit to the Property Rentals account a sum of $25,000,000 to reflect savings from implementation of procurement efficiencies. This additional sum is appropriated for Property Rentals.

Explanation

The FY 2009 Governor's Budget proposes to reduce the size of State government through an early retirement program, attrition, targeted layoffs, and direct reductions to agency budgets. Another savings initiative is a centrally budgeted procurement savings of $25 million. These procurement savings are proposed to be transferred to the Property Rentals account in the Interdepartmental Accounts budget to offset total costs. The proposed language authorizes the Director of the Division of Budget and Accounting to transfer $25 million in procurement savings from the various State departments to the Property Rentals account in the Interdepartmental budget. This results in an offsetting reduction of equal amount to budgeted appropriations for Property Rentals.

2008 Appropriations Handbook	2009 Budget Recommendations
	p. D-465
No comparable language.	Receipts derived from fees charged for public parking at the Bangs Avenue Parking Garage in Asbury Park, and the unexpended balance from the preceding fiscal year, are appropriated for the costs incurred for maintenance and operation of the Garage, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

This proposed language authorizes the use of accumulated and anticipated receipts generated by the referenced facility for associated maintenance and operating costs. According to the Office of Management and Budget, through a lease/purchase agreement with the NJ Economic Development Authority (NJEDA), the State Department of Treasury leases and operates the Bangs Avenue Parking Garage as well as the associated State Office Building in Asbury Park. The State is responsible for the maintenance of the garage including any needed capital improvements for the more than 40 year old building. Under the terms of the 1999 sale of the facility by the City of Asbury Park to NJEDA, the State has been required to provide hourly, daily and monthly parking for public use. Since the garage was opened under State operation in 2002, approximately $60,000 in parking fees have been collected and deposited in a bank account on behalf of the State. However, there is currently no budget authority for Treasury to

Language Provisions (Cont'd)

utilize the parking receipts for deferred maintenance costs and ongoing garage-related expenses.

2008 Appropriations Handbook	2009 Budget Recommendations
	p. D-465
No comparable language.	In addition to the amount hereinabove appropriated for Household and Security, there is appropriated $526,000 to the Household and Security account from the New Jersey Public Broadcasting Authority for utility, security, and building maintenance costs.

Explanation

The New Jersey Public Broadcasting Authority (NJPBA) occupies space in a State-owned building and incurs occupancy costs for which, heretofore, it did not pay. The proposed language redirects $526,000 from the NJPBA to the Household and Security account which, according to the Office of Management and Budget is a pro-rated charge for such costs. The language results in an offsetting reduction of equal amount to budgeted appropriations for Household and Security.

2008 Appropriations Handbook	2009 Budget Recommendations
	p. D-465
No comparable language.	In addition to the amount hereinabove appropriated for the Household and Security account, there is appropriated to the Household and Security account $2,500,000 from the Motor Vehicle Commission for utility, security, and building maintenance costs.

Explanation

The proposed language redirects $2.5 million from the Motor Vehicle Commission to pay for utility, security, and building maintenance charges to offset certain contracted costs of providing these services to occupants of State-owned buildings. The language results in an offsetting reduction of equal amount to budgeted appropriations for Household and Security.

Language Provisions (Cont'd)

2008 Appropriations Handbook

No comparable language.

2009 Budget Recommendations

p. D-466

Any monies received from the sale of real property in excess of the amount anticipated in this Act are appropriated for Capitol Construction Energy Efficiency-Statewide Projects, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

This language provision would authorize the Director of the Division of Budget and Accounting to appropriate funds from the sale of real property, that are in excess of any amounts anticipated to be appropriated in the FY 2009 Appropriations Act for Capital Construction Energy Efficiency-Statewide Projects. The budget does not anticipate any revenue from sale of real property, so all funds received from such sales would be directed to those projects.

Chapter 108, Laws of 2007 (N.J.S.A.52:31-1.3b) supplemented existing law governing sale of real property by the State to require that, unless another disposition of such proceeds is specified by statute, proceeds of sale be deposited in a special, non-lapsing fund and used only for the relief of State debt or to assist in funding capital improvement projects undertaken by the State. The allocation of such money from the fund shall be made upon the recommendation of the Governor for the annual appropriations act, together with a detailed description of the purpose for which the monies will be used. The money shall be expended only upon appropriation in the annual appropriations act and only for the specified purposes.

The OLS notes that while this new language provision is generally consistent with this provision of law, the recommended language provision next explained herein would allow reallocation of these funds for other capital projects without prior approval by the Legislature.

2008 Appropriations Handbook

p. B-217

Notwithstanding the provisions of any law or regulation to the contrary, in order to provide flexibility in administering the amounts provided for Statewide Fire, Life Safety and Renovations Projects, such sums as may be necessary may be transferred to individual project line items within various departments, subject to the approval of the Director of the Division of Budget and Accounting.

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p. D-466

Notwithstanding the provisions of any law or regulation to the contrary, in order to provide flexibility in administering the amounts provided for Statewide Fire, Life Safety and Renovations Projects; Roof Repairs-Statewide; American's with Disabilities Act Compliance Projects-Statewide; Hazardous Materials Removal Projects-Statewide; Statewide Security Projects; and Energy Efficiency-Statewide

Language Provisions (Cont'd)

2008 Appropriations Handbook	2009 Budget Recommendations
p. B-217	**p. D-466**
	Projects; such sums as may be necessary may be transferred to individual project line items within various departments, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

Existing budget language authorizes the Director of the Division of Budget and Accounting to approve funds to be transferred to individual project line items within various departments for flexibility in administering the amounts for Statewide Fire, Life Safety and Renovations Projects. The proposed language change expands the universe of projects for which the Director of the Division of Budget and Accounting can approve those transfers, to provide administrative flexibility. The language would apply to reappropriated prior year unexpended balances as well as funds newly allocated in FY 2009.

2008 Appropriations Handbook	2009 Budget Recommendations
	p. D-466
No comparable language.	Of the amounts hereinabove appropriated for Hazardous Materials Removal Projects-Statewide and Statewide Security Projects, funds may be transferred to the Fuel Distribution Systems/Underground Storage Tank Replacements-Statewide account for the removal of underground storage tanks at State facilities, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

The Underground Storage Tank (UST) Replacement account was last funded by a State appropriation in FY 2001 which, at the time, according to the Office of Management and Budget, was considered sufficient to cover the remaining tanks identified for removal and replacement at State facilities. The Department of Treasury's Division of Property Management and Construction (DPMC) has been actively monitoring the State's UST inventory. While significant progress has been made, there is a need to establish a funding source to address unforeseen circumstances and contingencies. For example, certain tanks were identified only recently and some of them may require immediate attention. The proposed language provides flexibility to deal with emerging needs as they arise.

Language Provisions (Cont'd)

2008 Appropriations Handbook

p. B-217

The amount hereinabove appropriated for Energy Efficiency-Statewide Projects is payable from the Clean Energy Fund to provide the full cost of energy efficiency projects in State facilities including, but not limited to: $6,000,000 for heating, ventilation and air conditioning systems at various Human Services institutions, $2,800,000 for pneumatic systems at State-owned office buildings in Trenton, $925,000 for heating, ventilation, and air conditioning systems at the Military and Veteran's Affairs Paramus Veterans home and at State-owned facilities in Trenton, $200,000 for an energy efficiency study of State-owned facilities, and $75,000 for an energy monitoring system, the allocations of which may be adjusted based on consultation with the Department of Treasury's Office of Energy Savings, subject to the approval of the Director of the Division of Budget and Accounting.

2009 Budget Recommendations

p. D-466

The amount hereinabove appropriated for Energy Efficiency Statewide Projects is payable from the Clean Energy Fund to provide the full cost of energy efficiency projects in State facilities including, but not limited to, up to $6,000,000 for heating, ventilation and air conditioning systems at various Human Services institutions. The project allocations may be adjusted based on consultation with the Department of the Treasury, Office of Energy Savings, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

In FY 2008, $10 million was appropriated from the Clean Energy Fund for new expenditures for Energy Efficiency, Statewide Projects and further allocated to specific projects by language. In the FY 2009 Governor's Budget, another appropriation of $10 million from the Clean Energy Fund is recommended. Under the language as revised, at least $6 million is targeted to heating, ventilation, and air conditioning systems at Human Services facilities, and the remainder to unspecified energy efficiency projects.

2008 Appropriations Handbook

No comparable language.

2009 Budget Recommendations

p. D-470

Notwithstanding the provisions of any law or regulation to the contrary, fees due to the third party administrator for the Section 125 Tax Savings Program established in 1996 pursuant to N.J.S.A.52:14-15.1a and the Section 132(f) Commuter Transportation Benefit Program established in 2003 pursuant to N.J.S.A.52:14-15.1b shall be paid from amounts hereinabove

Language Provisions (Cont'd)

2008 Appropriations Handbook	2009 Budget Recommendations
	p. D-470
	appropriated for the Social Security Tax-State Account, subject to the approval of the Director of Budget and Accounting.

Explanation

The proposed language provides the Director of the Division of Budget and Accounting the authority to approve the use of funds appropriated for payroll taxes to pay for the third party administrator who administers certain cafeteria Section 125 savings plans under N.J.S.A. 52:14-15.1a and N.J.S.A. 52:14-15.1b pursuant to Section 125 of the federal Internal Revenue Code, 26 U.S.C. 125. This allows continuation of current practice without need to annually obtain approval of a transfer of appropriations.

2008 Appropriations Handbook	2009 Budget Recommendations
p. B-214, B-215	
Notwithstanding the provisions of any other law to the contrary, amounts hereinabove appropriated for the State Health Benefits Program are subject to the following conditions: (i) increases in co-payments for the prescription drug plan; increases in co-payments for office visits and emergency visits in the managed care plans; and the co-payment for initial prenatal visits in the managed care plans agreed to by bargaining units representing State employees and employees of State authorities, State commissions, State colleges and State universities shall be implemented by the State Health Benefits Commission as expeditiously as is administratively feasible; and (ii) the following co-payments shall be implemented by the State Health Benefits Commission as expeditiously as is administratively feasible for (a) employees paid through the State centralized payroll for whom there is no majority representative for collective negotiations purposes, except non-aligned sworn members of the Division of Sate Police; and (b) employees of State authorities, State commissions, State colleges and State universities for whom there is no	No comparable language.

Language Provisions (Cont'd)

2008 Appropriations Handbook

p. B-214, B-215

majority representative for collective negotiations purposes who receive benefits through the State Health Benefits Program and such benefits are funded in whole or in part by State appropriations: $15 co-payment for managed care plan primary care physician and specialist office visits; a $15 co-payment for managed care plan initial prenatal visits; $50 co-payment for emergency room visits (which shall be waived if admitted); co-payments for the employee prescription drug plan: retail pharmacy-$3 generic, $10 brand name (where there is no generic equivalent or where the patient is medically unable to take generic equivalent) and $25 brand name (where neither of the conditions for $10 brand name applies) for up to a 30-day supply, and mail-order pharamacy-$5 generic, $15 brand name (where there is no generic equivalent or where the patient is medically unable to take the generic equivalent) and $40 brand name (where neither of the conditions for $15 brand name applies) for up to a 90-day supply; and a Traditional Plan annual deductible of $250 for an individual and $500 for a family.

2009 Budget Recommendations

Explanation

This FY 2008 language provision provided for increases in co-payments for prescription drugs, office visits, emergency room visits, and initial prenatal visits in the managed care plans agreed to by bargaining units for certain unions and for non-represented employees. This language provision is no longer necessary because the contracts took effect on July 1, 2007 in accordance with collective negotiations with certain unions.

2008 Appropriations Handbook

No comparable language.

2009 Budget Recommendations

p. D-473

Notwithstanding the provisions of any law or regulation to the contrary, the Director of the Division of Budget and Accounting may transfer from Departmental Accounts and

Language Provisions (Cont'd)

2008 Appropriations Handbook

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p. D-473

credit to the Salary Increases and Other Benefits account such sums that reflect savings from an Early Retirement Incentive program, pursuant to separate legislation. This additional sum is hereinabove appropriated for Salary increases and Other Benefits.

Explanation

The FY 2009 Governor's Budget proposes an early retirement incentive in an effort to achieve long term savings through a reduction in the State's workforce. The Governor's ERI will allow for only a ten percent backfill of the vacated positions and this limitation will be provided for in statute. Estimates of savings that would occur as a result of the ERI are proposed to be $136 million which includes $145.3 million in salary plus $11.1 million in fringe benefits (including reductions in payroll taxes), less $20.5 million in related unused accumulated sick leave payments. The proposed language provision provides the authority to the Director of the Division of Budget and Accounting to transfer from departmental accounts each department's savings associated with the early retirement incentive program and credit those amounts to the Salary Increases and Other Benefits account.

2008 Appropriations Handbook

p. B-216

As soon as practicable after the enactment of this act, the Director of the Division of Budget and Accounting may allocate to agencies, their share of management efficiencies in an aggregate amount for all agencies not to exceed $25,000,000 from the amounts appropriated for the Salary Increases and Other Benefits program classification. By August 1, 2007, each agency shall file a plan with the Director of the Division of Budget and Accounting allocating its respective management efficiency amount among specific accounts, provided that such plans shall not include reductions that would interfere with the State's obligation to meet constitutional mandates, make debt service payments or make payments pursuant to contracts that were entered into prior to July 1, 2007.

2009 Budget Recommendations

No comparable language.

Language Provisions (Cont'd)

2008 Appropriations Handbook	2009 Budget Recommendations
p. B-216 Such plans shall be subject to the approval of the Director of the Division of Budget and Accounting.	

Explanation

This FY 2008 language provided for the allocation of each State department's share of $25 million in anticipated savings from management efficiencies, to be originally deducted from the amounts appropriated for the Salary Increases and Other Benefits program classification. In addition, it required each affected agency to file a plan with the director of the Division of Budget and Accounting by August 21, 2007, describing how the department would allocate its management efficiency. The FY 2009 Governor's Budget does not recommend a similar management efficiency initiative in the budget year. Therefore, this language is no longer necessary.

Discussion Points

1. In the FY 2009 Governor's Budget address, an early retirement incentive (ERI) program was announced as a significant initiative in an effort to achieve long term savings through a reduction in the State's workforce. According to the Governor's budget address, early retirement actions in the past have achieved short-term savings at a long-term cost however. This has occurred, in part, because positions were backfilled, thereby increasing retirement costs for the future. To prevent that from happening, the Governor's ERI plan will allow for only a ten percent backfill of the vacated positions and this limitation will be provided for in statute. Information from the Budget In Brief and the Governor's Budget provides estimates of savings that would occur as a result of the ERI. The net savings from the ERI are estimated to be $136 million which includes $145.3 million in salary plus $11.1 million in fringe benefits (including reductions in payroll taxes), less $20.5 million in related unused accumulated sick leave payments. Additionally, the Governor's Budget includes the establishment of a special reserve for capital projects of which $300 million may be used to fund part of the ERI pension liability in FY 2009.

- ***Questions:*** **Please provide a detailed description of the Governor's ERI program proposal including the retirement options (ERI categories) available to the targeted ERI population and all limitations. What is the expected effective date of the ERI?**

- **To whom will the ERI program apply? Please provide a department by department analysis of the number of projected ERI participants including their age and years of service. Please provide an estimate of the number of projected ERI participants in each pension system under each ERI category.**

- **How many employees expected to retire between February 2008 and June 2008 have delayed doing so in anticipation of an ERI incentive? For these employees, is the present value of their retirement annuity included in projected ERI costs and are they included in the estimate of FY 2009 ERI savings?**

- **How many people would retire in FY 2009, FY 2010, and FY 2011 without the early retirement incentive proposal? For those people that you assume will use the ERI proposal, when is it assumed that they would have retired without the ERI proposal? For those people that you assume will use the ERI proposal, what is their assumed average age, the present value of their retirement annuity, and their probability of retirement? For those people who would retire anyway without the ERI, what is their assumed average age, the present value of their retirement annuity, and their probability of retirement?**

- **For each ERI category please provide the estimated total compensation cost to the State (over a three year period, FY 2009-FY 2011) of the ERI population if they were not to retire and the estimated total compensation cost for (over the same three year period) to the State of the ERI population if they do retire. Does the total cost of compensation without the ERI exceed the total cost of compensation with the ERI by more than the cost of funding the number of years of extra service credit offered as an incentive? What is the total value of the additional service credit? What is the value of the additional retirement service credit by age at retirement (50, 55, 60, and 65) and final compensation? What is the average cost per retiree of funding the ERI?**

Discussion Points (Cont'd)

- **Please provide a breakdown of the estimated total net savings including salaries, benefits, and FICA taxes. How were these savings determined and calculated? What is the impact when employees supported by federal or other off-budget funds retire under ERI? What assumptions were made? How was the ten percent backfill limitation determined and what significance does it have to the net savings of the ERI program? What assumptions were made with regard to the salaries associated with the backfill limitation? How would a five percent backfill limitation affect net savings? How would a 15 percent backfill limitation affect net savings? How many years must the State continue the 10 percent backfill limitation in order to achieve the estimated net savings?**

- **How do the long-term costs and savings of the ERI compare to a structure in which no retirement incentive is offered, but the 10 percent backfill limitation is imposed as vacancies occur?**

- **What is the projected unfunded liability of ERI, in total and by pension system? What is the normal cost (value of the benefits expected to be earned during the current year) of the ERI and how will it be amortized? Under each category, what is the annual cost of providing retirement benefits to the ERI population? How will the $300 million from the special reserve fund be allocated to fund the ERI?**

- **If the ERI is not adopted, how will this affect the budget and what options are available to achieve workforce cost savings in other ways?**

- **Please provide a copy of any actuarial evaluations performed to analyze the proposed ERI program or other ERI options that may have been considered.**

2. According to the Governor's Budget address, "over the past two years, through attrition and an ongoing hiring freeze, we reduced the size of the State workforce by nearly 2,000 positions."

- ***Questions:*** **Please describe in detail how the reduction in the workforce by 2,000 employees was achieved in terms of attrition, unfilled vacancies, elimination of positions, and position consolidation. What are the resulting savings in salaries alone and in benefit costs alone?**

2a. The FY 2009 Governor's budget recommends only $18.9 million for Salary Increases and Other Benefits, which comprises centrally budgeted funding for contractual Cost-of-Living-Adjustments (COLAs)and increments that will accrue to State employees during FY 2009. The FY 2009 recommended funding is net of projected savings from the proposed Early Retirement Incentive. The FY 2008 appropriation for this purpose was $237.8 million (prior to reduction by $25 million for management efficiency savings). The FY 2008 appropriation is supplemented by $30.2 million in a carry forward balance.

- ***Questions:*** **Please identify the estimated gross funding need for Salary Increases and Other Benefits (please identify COLA and increment costs separately), the amount to be recovered from reallocated ERI savings, and the amount, if any, to be**

Discussion Points (Cont'd)

supported from carry forward balances. If ERI savings are less than anticipated, how will the shortfall be made up?

- **Please explain the $9 million increase in Employee Actions - Delayed Implementation identified in information supplied to the OLS by the Office of Management and Budget. In which recommended appropriation(s) is that increase included?**

- **Will savings that occur in fee-supported programs from the continued hiring freeze, layoffs, and the early retirement incentive program be reallocated to fund contractual salary increases for staff not assigned to those programs?**

- **What is the projected total expenditure in FY 2008 and FY 2009 by State agencies for temporary services and overtime? Please provide this information by department and funding source, i.e., State, federal, and all other funds. Please cite any instances where overtime has been budgeted explicitly to offset a reduction in employees due to layoffs, attrition, or anticipated retirements. Will agencies retain flexibility to use temporary services and independent contractors to continue activities previously performed by State employees, or will new restrictions be imposed?**

2b. The FY 2008 appropriation act anticipated savings of $25 million from management efficiencies. These savings, while reflected in the Interdepartmental Accounts section of the budget, were to be obtained from executive agency appropriations, presumably in direct correlation with identified efficiency improvements.

- ***Questions:*** **Please provide a detailed breakdown showing the allocation of each department's respective management efficiency amount among specific accounts as required under the FY 2008 Appropriations Act. What amount of each department's original FY 2008 appropriation was reallocated to Interdepartmental Accounts as savings from management efficiencies? What specific efficiencies were achieved by each department that correlate to the reallocations? What adverse impacts, if any, on the output and outcomes of each department's programs and services resulted in FY 2008? Please provide a detailed description of these adverse impacts.**

3. According to Aon Consulting's (Aon) July 2007 report, The State of New Jersey: Post-Employment Benefits Other Than Pensions Actuarial Valuation, (see Chart 1, following), the State's net post retirement medical benefits (PRMB) unfunded liability at the end of FY 2016 will accumulate to $57.8 billion. For FY 2009, Aon estimated that the State's current unfunded liability is $14.5 billion. The unfunded liability is determined by the actuarially required contribution that would be required to fund current year active employee and retiree health care costs, plus an amount to be invested to pay for the growth in costs over time, less the amount the State contributes annually.

The FY 2009 Budget In Brief reports that for FY 2008, the State appropriated $1.1 billion for PRMB toward an unfunded liability of $4.9 billion, resulting in a contribution shortfall of $3.8 billion. For FY 2009, the Governor's Budget proposes to fund post retirement medical benefits at the same level as last year, $1.1 billion, an amount that would pay for the annual retiree health care costs consistent with law on a pay-as-you-go basis.

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Chart 1
Ten Year Projection of Annual PRMB Funding Cost in Accordance with GASB (Statements 43 & 45)
Assumes No Pre-funding of Obligations

Fiscal Year Ending	Actuarially Required Contribution (ARC) ($millions)	Adjustment to ARC ($millions)	Total Annual OPEB Cost (AOC) ($ millions)	Contributions ($millions)	Net OPEB Obligation at end of FY ($millions)
6/30/07	$5,840.2	$0	$5,840.2	$1,250.3	$4,589.9
6/30/08	$6,263.0	$36.1	$6,299.1	$1,462.1	$9,426.8
6/30/09	$6,711.7	$68.7	$6,780.4	$1,689.2	$14,518.0
6/30/10	$7,188.0	$97.1	$7,285.1	$1,937.3	$19,865.8
6/30/11	$7,693.2	$120.5	$7,813.7	$2,205.4	$25,474.2
6/30/12	$8,229.0	$138.2	$8,367.2	$2,486.7	$31,354.6
6/30/13	$8,797.5	$149.3	$8,946.7	$2,780.0	$37,521.4
6/30/14	$9,400.8	$152.9	$9,553.7	$3,097.5	$43,977.6
6/30/15	$10,041.0	$147.9	$10,188.9	$3,423.5	$50,743.0
6/30/16	$10,720.6	$133.4	$10,854.0	$3,757.3	$57,839.8

Source: AON Consulting Projections assume a closed group population (no new hires).

- ***Questions:*** **In accordance with the display on page 21 of the Budget In Brief, entitled, Shortfall in Contributions to Long-Term Debt, if FY 2009 appropriations for PRMB total $1.1 billion, as recommended, what would be the FY 2009 PRMB shortfall? If in subsequent fiscal years PRMB appropriations remain on a pay-as-you-go basis, what are the projected unfunded liabilities, annual appropriations, and contribution shortfalls for FY 2010 through 2016 inclusive? Please reconcile the data on PRMB actuarially required contributions, unfunded liabilities, and State contributions for FY 2008 through FY 2016 (i.e., the Budget In Brief responses to the previous questions) with the data in Chart 1.**

- **If the State were to begin to fully fund post retirement medical benefits in FY 2009 on a pre-funded actuarial basis, how much would the State need to appropriate for retiree health care and normal costs? By how much would this reduce the $58 billion unfunded liability by 2016? If the State were to begin to partially pre-fund PRMB in FY 2009, on an actuarial basis at a $3 billion level, by how much would this reduce the unfunded liability by 2016?**

3a. The actuarial evaluation released by Aon Consulting was the direct result of accounting and reporting rule changes made by the General Accounting Standards Board (GASB) in July 2004. These rule changes address accounting and financial reporting for post employment benefits other than pensions, mostly medical benefits. Statement 43 establishes uniform financial reporting standards for post employment benefits while Statement 45 establishes accounting methodologies and standards for state and local governments to account for and report the annual costs of post retirement benefits in the same manner as they do for pensions. GASB required all states to conform to these rules by December 2006 for reporting purposes. While these statements require the State to account for and report these liabilities on an accrual

Discussion Points (Cont'd)

basis, GASB does not require the State to appropriate funds accordingly. The effects of GASB 45 may extend far beyond reporting; for example, the rating agencies will now factor the information in these reports into their rating analyses. Obtaining high ratings is critical for New Jersey's ability to access capital markets at the lowest cost. Consequently, the policy choices related to how to fund PRMB may consider balancing not only budget limitations but also financial market reactions.

- *Questions:* **Please discuss the pros and cons of pre-funding or partially pre-funding PRMB and the potential impact on the State's credit rating. What effect would this have on the structural deficit and future budget stability? Was pre-funding PRMB considered as a use of funds to be raised through the Governor's financial restructuring proposal?**

4. P.L.2007, c.103 amended the statutes concerning the State Health Benefits Program (SHBP) to reflect, in part, changes to be implemented as the result of binding collective bargaining agreements between the Executive Branch and State employee representatives. The law granted authority to the State Health Benefits Commission to contract for the administration of preferred provider organizations (PPOs) in place of the Traditional Plan and NJPLUS, and required cost sharing for health care benefits by active employees and retirees of the State as determined through collective bargaining agreements. For example, an employee contribution of 1.5 percent of an employee's base salary was imposed in accordance with some contracts. Pursuant to this law, the SHBP will offer active State employees the choice of a NJ DIRECT 15, a PPO that replaces the Traditional Plan and NJ PLUS, and two HMOs, Aetna HMO and CIGNA Healthcare. The changes to SHBP also include some increases in co-pays for doctor and emergency visits, and prescription drugs. In addition, P.L.2007, c.103 provided that State employees who accrue 25 years of service after July 1, 2007 and retire after that date will not have to contribute to the cost sharing for post-retirement medical benefits if they join a wellness program that is to be established by the SHBP.

- *Questions:* **Please detail savings to the State associated with the conversion of the SHBP plans to the new PPO. What are the estimated savings resulting from the elimination of the gatekeeper in NJ PLUS? What are the estimated savings from the increases in office visit, emergency room, and prescription drug co-pays? Please provide an updated estimate for the savings associated with the required employee cost sharing through 1.5 percent of base salary. Please detail the costs resulting from the conversion in the SHBP plan.**

- **What are the anticipated savings, if any, to the State under the new cost-sharing required for State retirees who accrue 25 years of service credit after July 1, 2007 and retire after that date? Why has the retiree wellness program not yet been established? Please detail the major issues involved in establishing the wellness program. What models of wellness programs are being reviewed in the course of developing the wellness program?**

4a. The State Health Benefits Commission awarded to Horizon Blue Cross Blue Shield of New Jersey the contract to manage the Preferred Provider Organization (PPO) plan for the State Health Benefits Program, and Aetna and Cigna were awarded the HMO contracts. According to an Aon report, the PPO contract award would have the greatest financial impact on the SHBP because the winning bidder would administer the successor plans to the Traditional Plan

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and NJ PLUS. While it was originally anticipated that only one contract would be awarded for an HMO plan, AON reported that "the combined networks of Aetna HMO and Cigna Healthcare would result in greater access for SHBP members than if only one HMO is offered. Accordingly, the Evaluation Committee recommended the award of the HMO contracts to both Aetna HMO and Cigna Healthcare."

- *Questions:* **What were the costs of the contracts awarded? What are the basic terms and conditions of the contracts?**

4b. P.L.2007, c.103 also established a School Employees' Health Benefits Program (SEHBP). The SEHBP will provide health care benefits for active and retired education employees through PPOs and HMOs overseen by a new School Employees' Health Benefits Commission. Recommended FY 2009 appropriations for post retirement medical benefits for retired education employees total $761.4 million, a decrease of $1.5 million below FY 2008.

- *Questions:* **Please describe the SEHBP's structure. What are the estimated costs and savings to establish and administer the SEHBP? How many active and retired educational participants will participate in the SEHBP? If retired education employees were still participating in the SHBP after July 1, 2008, what would post retirement medical benefits for these retirees cost the State in FY 2009, 2010, and 2011? What factors cause the cost differential?**

5. Under P.L.2007, c.103, the member contribution rates of the Public Employees' Retirement System and Teachers' Pension and Annuity Fund were increased from 5 percent to 5.5 percent beginning July 1, 2007. The increase for employees of the Judicial Branch, the University of Medicine and Dentistry, and counties and municipalities becomes effective July 1, 2008. In addition, for new employees of the PERS and TPAF, the retirement age for receipt of an unreduced retirement allowance was increased from 55 to 60, and a maximum compensation upon which contributions are to be made was imposed. The maximum compensation is pegged at the maximum contribution base for Social Security contributions. For 2008, the amount is $102,000. For those new employees earning more than the Social Security cap, a defined contribution plan was created for them to invest their earnings that are in excess of the Social Security cap.

- *Questions:* **What is the additional amount to date contributed by State employees to the PERS and TPAF from the additional one-half percent? What is the estimated additional amount that will be contributed by the end of FY 2009? Will the additional employee contributions be used to reduce the State's annual employer contributions in FY 2009?**

- **Please provide an updated estimate of the impact on the PERS and TPAF from the imposition of the maximum salary level.**

- **Please update the chart below that was provided in the FY 2008 Background Paper, on page 52, of the Interdepartmental Accounts Analysis of the New Jersey Budget.**

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Projected Cost Savings ($ millions)*		
	Savings beginning FY 2008	Future Savings
Defined contribution plan for earnings in excess of Social Security Cap		$XXX by 2022
Increase in the retirement age from 55 to 60 for new hires		$XXX by 2022
Increase in employee's contribution to the pension system	$XXX	$XXX by 2022
Employee contribution to health care	$XX	
Health plan changes, including increased co-pays and PPO	$XX	

*Source: Office of the Governor

- **Please describe in detail how the changes described above, and the creation of the new Defined Contribution Retirement Program, will contain future increases in the cost to the State and local public employers to fund the PERS and TPAF.**

5a. The Budget In Brief indicates that from FY 2004 to FY 2008, the total unfunded liability of the State's seven defined benefit retirement systems increased from $12 billion to $25 billion, of which $16.6 billion represents the State's liability. In addition, the Budget In Brief states that the "current pension appropriation of $1.1 billion is expected to nearly triple by fiscal 2014" assuming continued phase-in with full funding in 2014.

- ***Questions:*** **Please explain the factors that increased the State's seven defined benefit retirement systems' unfunded liability from $12 billion to $25 billion. What is the State's current unfunded ratio and how critical is the total unfunded liability of the retirement systems over the next five years? What is the State's expected level of funding over the next five years and what percentage of full funding would that represent? Please provide a chart that shows the total assets and total unfunded liability for each retirement system for FY 2009.**

- **Please update for FY 2009, the two Schedules that were provided in the FY 2008 Background Paper, on page 46, of the Interdepartmental Accounts Analysis of the New Jersey Budget showing the Employer Contributions as reported in accordance with GASB Rules 25 and 26 and the Schedule of Appropriations in accordance with State law.**

- **By retirement system, what percentage of full funding is the FY 2009 recommended appropriation? Does the projected 2014 pension contribution of approximately $3 billion represent full funding of the pension system? Please provide a chart that shows for each retirement system the average annual benefit for all retirees and new retirees at service retirement and at special retirement (25 years of service).**

6. According to the Budget In Brief, the U.S. Department of Energy approved funding for a Statewide Energy Tracking System (ETS) that will permit the Department of Treasury to centrally monitor energy consumption and cost. The system also provides for Energy Star scoring which

Discussion Points (Cont'd)

will help departments understand their energy needs and target their efforts to reduce usage. The FY 2009 Governor's Budget proposes to continue language that would appropriate $3.5 million from the Petroleum Overcharge Reimbursement Fund (PORF) to fund energy-related savings initiatives such as the ETS and Energy Star scoring.

- *Questions:* **What federal program provides funding for ETS and Energy Star scoring? What is the level of funding for the ETS and Energy Star scoring that was recently approved by the U.S. Department of Energy? Please describe the proposal that was submitted to the U.S. Department of Energy and what the general requirements are for the State to receive federal funds. How long will the federal government fund this program? Will continued federal funding require additional applications to receive additional funding? How will the $3.5 million from the PORF be expended? Is the $3.5 million a State match to the federal funds?**

7. In FY 2008, $10 million was appropriated for new expenditures for Energy Efficiency, Statewide Projects. According to the budget language, the appropriation amount was payable from the Clean Energy Fund to provide the full cost of energy projects in State facilities including, but not limited to $6 million for heating, ventilation, and air conditioning systems at various Human Services institutions. A list of projects was presented in the budget language. In the FY 2009 Governor's Budget, an appropriation of $10 million is recommended but, the list of projects to be funded has been eliminated from the language. New language, this year, proposes to appropriate any money received from the sale of real property in excess of the amount appropriated in this Act for Capital Construction Energy Efficiency, Statewide Projects, subject to the approval of the Director of the Division of Budget and Accounting. In addition, other new language would provide the authority for funds to be transferred to individual project line items within various departments, subject to the approval of the Director of the Division of Budget and Accounting.

- *Questions:* **Please detail how the $10 million appropriation from last year was expended. Were all the projects listed in the FY 2008 Appropriations Act language funded and, if so, at what level? If they were not funded please explain why not. Have these projects been completed or will additional funds be required to complete the projects?**

- **Please explain the rationale to fund Capital Construction Energy Efficiency, Statewide Projects in FY 2009 from excess funds from the sale of real property. What is the amount of excess funds from the sale of real property anticipated to be generated for these capital projects? Please provide a list of Capital Construction Energy Efficiency, Statewide Projects that are anticipated to be funded from the FY 2009 appropriation and an estimate of the cost of each project.**

8. The FY 2009 Governor's Budget indicates that $17 million will be made available for Statewide Fire, Life Safety and Renovations Projects from non-State funding sources (footnote page D-463). Existing budget language provides for flexibility in administering the amounts for Statewide Fire, Life Safety and Renovations Project by allowing funds to be transferred to individual project line items within various departments.

- *Question:* **What non-State funding sources are anticipated to be used to fund these projects and how are these funds available for these purposes?**

Discussion Points (Cont'd)

9. The FY 2009 Governor's Budget proposes new language that would use funds appropriated for payroll taxes to pay for the third party administrator who administers certain cafeteria Section 125 savings plans under N.J.S.A. 52:14-15.1a and N.J.S.A. 52:14-15.1b pursuant to Section 125 of the federal Internal Revenue Code, 26 U.S.C. 125.

- *Question:* **How have the administrator fees been paid for in the past and why is the State proposing to use appropriations for Social Security payroll taxes to pay these fees?**

10. The FY 2009 Budget In Brief (pages 23-24) provides commentary on pay-as-you-go capital funding, concluding that discretionary capital appropriations - which exclude capital funding for transportation, open space, and environmental projects but have constitutionally dedicated funding sources – lag far behind both benchmark levels and current agency funding requests. The commentary makes particular note of the impact of the age of State-owned buildings (the average age of State-owned buildings of 1,000 or more square feet is 49 years) on the cost of maintaining buildings. The Budget In Brief further notes that the Capital Budgetary and Planning Commission received $863 million in agency requests for discretionary capital funding. On December 7, 2007 the Commission voted to recommend the FY 2009 funding of $156.5 million to fulfill these requests. Recent appropriations acts have reflected a variety of funding approaches for capital projects including project-specific appropriations, lump-sum appropriations for categories of projects, e.g., roof repairs, and earmarking of accumulated balances and non-State funding sources. The FY 2009 budget continues this approach.

- *Questions:* **Please provide a listing by agency of each discretionary capital funding project recommended for FY 2009 funded by the Capital Budgetary and Planning Commission, the amount included in the Governor's FY 2009 Budget for each project, and the recommended source of that funding (specifying page number, line item, and or language provision). Please also list any capital funding recommended in the FY 2009 budget, not recommended by the Commission, together with its funding source. To what extent does the FY 2009 budget increase performance against the three benchmarks cited in the Budget In Brief? Given that some discretionary capital projects would be funded from non-recurring revenues in FY 2009, what additional amount would be added to the projected 2010 budget shortfall (Budget In Brief, page A-32) to maintain the FY 2009 level of performance against those benchmarks?**

11. According to the Budget In Brief, the State initiated a statewide assessment of owned and leased buildings with the goal of maximizing the use of existing office space. Under this initiative, all departments report the use of work space and distribution of employees by program. Downsizing and the consolidation of workspace is, in part, a product of the reduction in the State workforce. Other initiatives include the "restacking of existing buildings, which makes it possible to eliminate new leases in areas where surplus is available. In FY 2009, an effort is being made to consolidate agency staff from leased spaces with expiring rental contracts into vacant space in State-owned buildings. It is estimated that this office space consolidation initiative will be achieved over the next two years and will achieve savings of $5.1 million of which $3.3 million accrues in FY 2009.

The Governor' Budget proposes a gross increase of $5.8 million in Property Rentals in FY 2009. To offset this total cost, the Governor's Budget proposes new language to transfer a total

Discussion Points (Cont'd)

of $25 million in savings from procurement efficiencies from departmental accounts to the property rentals account. In addition, new language is proposed that would transfer $5.6 million from the Motor Vehicle Commission to pay for property rental charges, a new component of total projected reimbursements of $87.8 million from agencies paying "direct" rent for facility use. The level of agency reimbursements, excluding the procurement efficiency portion, is an increase of $7.8 million (9.7 percent) above the FY 2008 adjusted level.

- ***Questions:*** **Does the Property Rental budget recommendation anticipate any savings from the workforce reduction that is intended to result from the proposed Early Retirement Incentive, and if so, in what amount? Based on an average cost per square foot and an average square foot per employee, what savings could result if all ERI induced workforce reductions translated into reductions of leased space?**

- **Among the components of change in the FY 2009 Property Rentals budget recommendation, what amount, if any, is attributable to changes in payments in lieu of taxes? Please itemize any such changes by facility and municipality.**

- **How much of the increase in "direct" rent reimbursements from the Motor Vehicle Commission is due to increased costs of leasing the space it occupies; to increased usage of space by the Commission? If neither, then what is the justification for higher reimbursements?**

- **To the extent that an effort is made to consolidate agency staff into State-owned buildings, will there be offsets to the consolidation savings due to refurbishing and rehabilitation costs to the aging buildings? If yes, please describe very generally what type of work needs to be done and what the ratio of rental savings to rehabilitation is, i.e., for every dollar saved in rent, how much is spent on rehabilitation?**

12. For a number of years, the State has used cash flow borrowing, in the form of tax anticipation notes, 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, before major tax collections are received in the last two quarters. The FY 2009 Governor's Budget does not propose an appropriation for interest on short term notes (page D-471), a decrease of $10 million below the FY 2008 appropriation for this purpose. Thus far in FY 2008, the State has issued $2 billion in tax and revenue anticipation notes (TRANS) to meet cash flow needs. Interest costs on these notes will total about $70.3 million, which will be offset by original issue premiums of $13.4 million. Thus, net interest cost will total approximately $56.9 million. Investment earnings, or other sources of funding, will supplement FY 2008 appropriations of $46.9 million to fully fund these costs.

- ***Questions:*** **Does the Executive intend to use investment earnings to fully fund interest on TRANS in FY 2008? Will additional TRANS be issued in FY 2008? If so, in what amount and at what projected cost? Does the recommended reduction in appropriations for short-term interest signify a permanent improvement in the structure of the State's cash flow? What projections of FY 2009 tax and revenue anticipation note issuance (per amount and date of sale), total and net interest costs, nominal interest rate and effective interest rate, were assumed when determining not**

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to recommended an appropriation in FY 2009? If projected FY 2009 TRANS interest costs are fully funded from investment earnings, what percentage of total estimated investment earnings does that amount represent?

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Individuals wishing information and committee schedules on the FY 2009 budget are encouraged to contact:

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