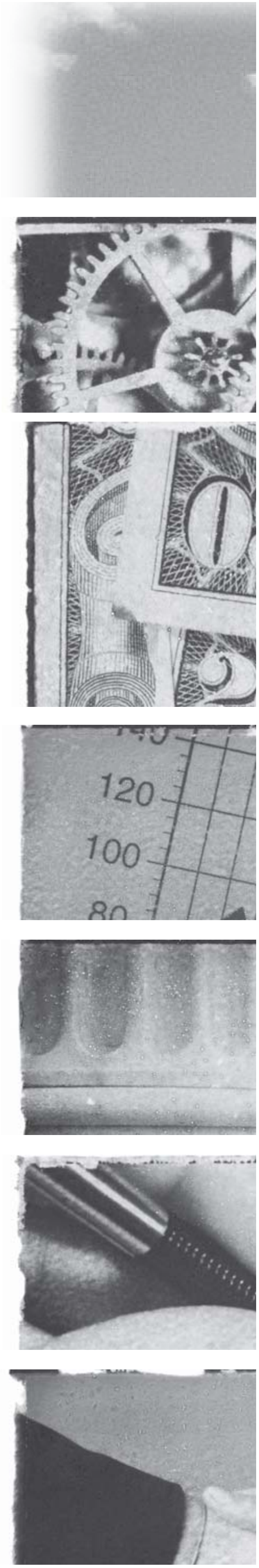

ANALYSIS OF THE NEW JERSEY BUDGET

INTERDEPARTMENTAL ACCOUNTS

FISCAL YEAR 2018-2019

PREPARED BY OFFICE OF LEGISLATIVE SERVICES
NEW JERSEY LEGISLATURE • MAY 2018

NEW JERSEY STATE LEGISLATURE

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This report was prepared by the State Government Section of the Office of Legislative Services under the direction of the Legislative Budget and Finance Officer. The primary author was Kimberly McCord Clemmensen.

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

INTERDEPARTMENTAL ACCOUNTS

Budget Pages....... C-7, C-15, C-25, C-27, D-431 to D-446

Fiscal Summary ($000)

	Expended FY 2017	Adjusted Appropriation FY 2018	Recommended FY 2019	Percent Change 2018-19
State Budgeted	$4,184,815	$4,387,420	$4,745,784	8.2%
Federal Funds	$0	$0	$0	—
Other	$28,994	$53,313	$48,313	(9.4%)
Grand Total	$4,213,809	$4,440,733	$4,794,097	8.0%

Personnel Summary - Positions By Funding Source

	Actual FY 2017	Revised FY 2018	Funded FY 2019	Percent Change 2018-19
State	0	0	0	—
Federal	0	0	0	—
Other	0	0	0	—
Total Positions	0	0	0	—

FY 2017 (as of December) and revised FY 2018 (as of January) personnel data reflect actual payroll counts. FY 2019 data reflect the number of positions funded.

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

Highlights

Property Rentals, Insurance, and Utilities

- The FY 2019 Governor's Budget recommends an increase of $47.271 million in Property Rentals, Insurance, and Utilities. Property Rental appropriations increase by $46.905 million, primarily due to an increase in Economic Development Authority debt service on bonds for the State House Project and the State Office Building Project, and a decrease in direct rent reimbursements. This increase is offset by minor reductions in State costs for rent payments, taxes, janitorial and utility costs, and other lease service costs. State utility costs for approximately 45 State facilities will be funded in part by a transfer of $47.5 million from the Clean Energy Fund, $5 million less than in FY 2018.

Property Rentals, Insurance, and Utilities ($000)				
Program Area	**FY 2018**	**FY 2019**	**$ Change**	**% Change**
Property Rentals (Net)	$ 146,211	$ 193,116	$ 46,905	32.1%
Insurance and Other Services	$ 134,778	$ 135,144	$ 366	0.25%
Utilities and Other Services	$ 14,093	$ 14,093	$ -	0.00%
Total	$ 295,082	$ 342,353	$ 47,271	16%

Aid to Independent Authorities

- The FY 2019 Governor's Budget recommends a reduction of $5.73 million in appropriations to fund debt service on bonds issued by independent authorities as well as operating support in certain cases. The reduction primarily results from elimination of operating support for the Liberty Science Center ($3.5 million) and funding for capital projects at the New Jersey Performing Arts Center ($1.7 million), both of which were FY 2018 legislative initiatives.

Pensions

- The FY 2019 Governor's Budget provides total combined appropriations in FY 2019 of $3.213 billion in employer contributions and Lottery Enterprise contributions to the defined benefit retirement systems. According to the Executive, this is 6/10ths of the FY 2019 annual actuarially determined contribution (ADC) of approximately $5.355 billion, continuing the modified phase-in plan proposed by the previous Administration. The modified phase-in plan funds the annual required contribution on a schedule starting at 3/10ths of the actuarial determined contribution beginning in FY 2016 and increasing annually in 1/10th increments, to full funding in FY 2023. As the fourth annual payment under the modified phase-in plan, the total FY 2019 pension payment is 28 percent higher than in FY 2018. Budget appropriations for these payments increase by about $668 million.

Highlights (Cont'd)

Total Defined Benefits Contributions: Budget Appropriations and Lottery Enterprise					
	FY 2016 @ 3/10	**FY 2017 @4/10**	**FY 2018 @5/10**	**FY 2019@6/10**	**FY 2019 ADC**
PERS					
Budget Appropriations	$ 354,612	$ 507,178	$ 451,752	$ 628,000	
Lottery Enterprise	$ -		$ 210,405	$ 218,008	
PERS Sub-total	$ 354,612	$ 507,178	$ 662,157	$ 846,008	$ 1,410,013
PFRS					
Budget Appropriations	$ 138,324	$ 195,221	$ 239,447	$ 307,999	
Lottery Enterprise	$ -		$ 12,012	$ 12,446	
PFRS Sub-total	$ 138,324	$ 195,221	$ 251,459	$ 320,445	$ 534,075
SPRS					
Budget Appropriations	$ 35,580	$ 51,038	$ 72,104	$ 96,000	$ 160,000
JRS					
Budget Appropriations	$ 13,951	$ 19,677	$ 23,266	$ 29,000	$ 48,333
TPAF					
Budget Appropriations	$ 764,489	$ 1,087,919	$ 721,229	$ 1,114,920	
Lottery Enterprise	$ -	$ -	$ 778,560	$ 806,694	
TPAF Sub-total	$ 764,489	$ 1,087,919	$ 1,499,789	$ 1,921,614	$ 3,202,690
CPFPF					
Budget Appropriations	$ 148	$ 575	$ 325	$ -	$ -
CPFPF Sub-total					
Total State Contribution	$ 1,307,104	$ 1,861,608	$ 1,508,123	$ 2,175,919	
Total State Lottery Enterprise Contribution			$ 1,000,977	$ 1,037,148	
Total ADC	$ 4,357,013	$ 4,653,148	$ 5,018,200	$ 5,355,112	$ 5,355,112
Total State & Lottery Enterprise Contribution/ADC	30%	40%	50%	60%	100%

- Approximately $933.9 million of the proposed FY 2019 appropriations are budgeted in Interdepartmental Accounts and those appropriations increase by 37.4 percent, or $254.1 million. The remaining portion of the employer contribution is included in the budgets for the Department of Education ($1.112 billion) and the Department of the Treasury ($130.3 million).

Total Defined Benefit Contributions by Department ($000)					
	FY 2016	**FY 2017**	**FY 2018**	**FY 2019**	**FY18 to FY19 $ Change**
Interdepartmental DSS & GIA	$ 484,227	$ 691,275	$ 679,803	$ 933,948	$ 254,145
Education	$ 761,169	$ 1,083,157	$ 719,396	$ 1,111,690	$ 392,294
Treasury	$ 61,708	$ 87,176	$ 108,924	$ 130,281	$ 21,357
Total State Contribution	$ 1,307,104	$ 1,861,608	$ 1,508,123	$ 2,175,919	$ 667,796
Total Lottery Contribution			$ 1,000,977	$ 1,037,148	$ 36,171
Total Pension Contribution	$ 1,307,104	$ 1,861,608	$ 2,509,100	$ 3,213,067	$ 703,967

- The funded ratios of each State-administered defined benefit retirement system are itemized in the Table below. These ratios reflect a revised rate of return assumption of 7.5 percent.

2017 Actuarial Valuation – July 1, 2017 - Revised		
	Funded Ratios	
Pension Fund	Market Value	Actuarial Value
PERS - State	32.24%	46.57%
PERS - Local	66.60%	69.86%
TPAF	40.86%	60.66%
PFRS - State	34.5%	41.8%
PFRS - Local	70.6%	73.1%
SPRS	54.7%	57.5%
JRS	30.56%	33.56%

Highlights (Cont'd)

Health Benefits

Summary of Total State Active and Retired Health Benefits

- The FY 2019 Governor's budget recommends total appropriations for combined active and retired health care benefits in the budgets of Interdepartmental Accounts, the Department of Education, and the Department of Treasury of $3.42 billion in FY 2019. This represents an increase of 4.7 percent, or $155.1 million. Total growth of $241.3 million in medical and prescription drug costs for active employees and retirees and restoration of an FY 2018 reduction of $32.5 million unrelated to health benefit costs are offset by prospective plan design changes totaling $118.7 million.

Summary of Changes for Active and Retired State Health Benefits ($000)				
	FY 2018 Adjusted Appropriation	Gross Increase	Plan Design Changes	FY 2019 Recommendation
IDA Active DSS and GIA	$ 1,363,807	$ 94,716	$ (50,779)	$ 1,407,744
IDA Retired DSS and GIA	$ 655,440	$ 70,249	$ (47,821)	$ 677,868
Subtotal IDA Active and Retired	$ 2,019,247	$ 164,965	$ (98,600)	$ 2,085,612
Less: Management Efficiencies	$ (32,500)	$ 32,500	$ 0	$ 0
Education	$ 1,195,527	$ 72,443	$ (20,100)	$ 1,247,870
Treasury	$ 83,835	$ 3,906		$ 87,741
Total	$ 3,266,109	$ 273,814	$ (118,700)	$ 3,421,223

State Employees' Health Benefits (Active): Interdepartmental Accounts

- The FY 2019 Governor's Budget recommends total appropriations of $1.408 billion to fully fund health care benefits for active State employees and employees of institutions of higher education in FY 2019. Taking the management efficiencies into account, this represents an increase of $76.437 million, or 5.7 percent, for medical, prescription drug, dental, and vision coverage.

Health Benefits for Active State Employees DSS/GIA ($000)				
Program Area	**FY 2018**	**FY 2019**	**$ Change**	**% Change**
Health Benefits	$ 1,044,161	$ 1,066,475	$ 22,314	2.1%
Management Eff.	$ (32,500)	$ 0	$ 32,500	---
Prescription Drug	$ 285,302	$ 306,260	$ 20,958	7.3%
Dental	$ 33,844	$ 34,509	$ 665	2.0%
Vision	$ 500	$ 500	$ 0	0.0%
Total	$ 1,331,307	$ 1,407,744	$ 76,437	5.7%

Highlights (Cont'd)

- This $76.4 million net increase in FY 2019 reflects a combination of gross increases in the projection for medical, prescription drug, dental, and vision costs of $127,216 million (including restoration of the management efficiencies reduction) offset by $50.779 million from prospective FY 2019 State Health Benefits Program (SHBP) plan design changes in Out-of-Network (OON) benefit reform and the re-adoption of reforms approved in prior years, including but not limited to mandatory generic utilization, preferred formulary reforms, and physical therapy reforms (SHBP).

Post-Retirement Medical Benefits

- The FY 2019 Governor's Budget proposes total appropriations from Interdepartmental Accounts, the Department of Education, and the Department of Treasury of $2.013 billion for Post-Retirement Medical Benefits (PRM) in FY 2019, an increase of $78.677 million, or 4 percent above FY 2018 adjusted appropriations.

State-Funded Post-Retirement Medical Benefits ($000)				
Department	**FY 2017**	**FY 2018**	**FY 2019**	**$ Change FY18 to FY19**
Interdepartmental DSS	$ 535,754	$ 546,092	$ 565,023	$ 18,931
Interdepartmental GIA	$ 109,147	$ 109,348	$ 112,845	$ 3,497
Interdepartmental Total DSS/GIA	$ 644,901	$ 655,440	$ 677,868	$ 22,428
Education State Aid	$ 1,139,894	$ 1,195,527	$ 1,247,870	$ 52,343
Treasury State Aid	$ 80,904	$ 83,835	$ 87,741	$ 3,906
Total PRM	$ 1,865,699	$ 1,934,802	$ 2,013,479	$ 78,677

- Within the Interdepartmental Accounts budget, PRM appropriations increase by about $22.4 million, from about $655.5 million to about $677.9 million. According to OMB, significant factors attributing to the year-over-year State Health Benefits projections include demographic and cost-trend changes from FY 2018 to FY 2019. The FY 2019 recommendation includes the cost of the ACA Health Insurance Fee (HIF) to the SHBP Medicare Advantage plan and the cost of the HIF to the SEHBP for State-paid retirees. In addition, the FY 2019 Governor's budget includes an assumption for the reduction of cost relating to plan design change reforms of $47.8 million to the DSS and GIA post-retirement medical accounts.

Salary Increases and Other Benefits

- The FY 2019 Governor's budget recommends $63.2 million for Executive Branch compensation increases that accrue in FY 2019. It also anticipates FY 2018 funding of $95.2 million for Executive Branch compensation increase that accrued in FY 2018 for the portion of the State workforce considered "State funded," i.e., not funded by federal or dedicated revenues. The Judiciary recommendation of $1.094 million funds progression increases for most Judicial Branch employees. On May 1, 2018 the Communications Workers of American (CWA), AFL-CIO ratified a negotiated contract with the Executive covering 35,000 workers employed by the Executive Branch in the

Highlights (Cont'd)

Administrative/Clerical, Professional and Supervisory Bargaining Units. The term of the contract is from July 1, 2015 through June 30, 2019. The contract includes two across the board salary increases of two percent. The first two percent across the board increase is retroactive beginning August 15, 2017 and the second across the board increase begins the first pay period in July 2018. In addition, the contract includes back pay for all step increments that were denied at the expiration of the last contract. All workers will be placed on the appropriate steps accordingly.

CWA Costs of Significant Contract Provisions			
Contract Provision	**FY 2018**	**FY 2019**	**Total**
Retroactive Step Increments	$78.0 million	$0	$78.0 million
Across the Board Increase of Two Percent	$22.1 million	$48.8 million	$70.9 million
Total	$100.1 million	$48.8 million	$148.9 million
Source: CWA Press Release May 1, 2018, Governor Press Release May 3, 2018.			

Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS ($000)

	Expended FY 2017	Adj. Approp. FY 2018	Recom. FY 2019	Percent Change 2017-19	Percent Change 2018-19
General Fund					
Direct State Services	$2,895,579	$3,086,103	$3,421,403	18.2%	10.9%
Grants-In-Aid	1,101,490	1,082,577	1,111,899	0.9%	2.7%
State Aid	0	0	0	0.0%	0.0%
Capital Construction	187,746	173,341	167,081	(11.0%)	(3.6%)
Debt Service	0	0	0	0.0%	0.0%
Sub-Total	**$4,184,815**	**$4,342,021**	**$4,700,383**	**12.3%**	**8.3%**
Property Tax Relief Fund					
Direct State Services	$0	$0	$0	0.0%	0.0%
Grants-In-Aid	0	14,141	14,142	---	0.0%
Capital Construction	0	31,258	31,259	---	0.0%
Sub-Total	**$0**	**$45,399**	**$45,401**	**---**	**0.0%**
Casino Revenue Fund	$0	$0	$0	0.0%	0.0%
Casino Control Fund	$0	$0	$0	0.0%	0.0%
State Total	**$4,184,815**	**$4,387,420**	**$4,745,784**	**13.4%**	**8.2%**
Federal Funds	$0	$0	$0	0.0%	0.0%
Other Funds	$28,994	$53,313	$48,313	66.6%	(9.4%)
Grand Total	**$4,213,809**	**$4,440,733**	**$4,794,097**	**13.8%**	**8.0%**

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 2017	Revised FY 2018	Funded FY 2019	Percent Change 2017-19	Percent Change 2018-19
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 2017 (as of December) and revised FY 2018 (as of January) personnel data reflect actual payroll counts. FY 2019 data reflect the number of positions funded.

AFFIRMATIVE ACTION DATA

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

Significant Changes/New Programs ($000)

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page

GENERAL GOVERNMENT SERVICES

Direct State Services

Property Rentals

Property Rentals appropriations encompass funding for existing and anticipated leases of office and other facilities used by State agencies, 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. The accounts also reflect the cost of rent for agencies that is ultimately financed from sources other than the General Fund, such as federal funds. The State recovers, from non-State fund sources, the cost of renting and maintaining office space. These recoveries, referred to as "direct rent," serve to reduce the cost to the General Fund. The net cost to the General Fund is referred to as "central rent."

Property Rentals	**$235,435**	**$277,260**	**$41,825**	**17.8%**	**D-435**

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

Existing and Anticipated Leases	**$190,681**	**$186,963**	**($3,718)**	**(1.9%)**	**D-435**

The Existing and Anticipated Leases appropriation comprises the gross cost for office space and other property rentals for State agencies and includes rent payments, taxes, janitorial services, utilities, snow removal, advertising, moving, and security costs. The proposed reduction of $3.718 million results from decreases in rent, taxes, utilities, and other lease services costs totaling $8.345 million, offset by increases in janitorial, operating escalations (increases in payments from automatic escalation clauses in multi-year leases), and an increase in approved new space totaling $4.627 million. These changes are shown in Table 1 below.

Table 1

Existing and Anticipated Leases ($000)			
Existing and Anticipated Leases	**FY 2018 Adjusted Appropriation**	**FY 2019 Recommendation**	**Change**
Rent	$ 128,508	$ 121,005	$ (7,503)
Taxes	$ 957	$ 762	$ (195)
Janitorial	$ 3,353	$ 3,565	$ 212
Utilities	$ 9,680	$ 9,547	$ (133)
Operating Escalations	$ 39,246	$ 42,561	$ 3,315
Other Lease Services	$ 4,422	$ 3,908	$ (514)
Approved New Space	$ 3,765	$ 4,865	$ 1,100
Other	$ 750	$ 750	$ 0
Total	$ 190,681	$ 186,963	$ (3,718)
Source: Office of Management and Budget			

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

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page
Economic Development Authority	**$6,238**	**$53,027**	**$46,789**	**750.1%**	**D-435**

The State has capital lease agreements with the New Jersey Economic Development Authority (EDA) for various facilities and facility improvements that the EDA has financed around the State. As lessee, the State is required to make rental payments sufficient to cover the debt service and other amounts payable to the EDA. The line item above represents the debt service on bonds issued for the acquisition, renovation, and construction of certain land, office buildings and improvements in Asbury Park, Camden, Capitol Place One (Trenton), Cherry Hill, and five State Police barracks properties, the rehabilitation, renovation, and improvement of the Executive Statehouse, and the replacement of office buildings and facilities for the Department of Health/Agriculture and the Juvenile justice Commission.

This proposed FY 2019 increase for the EDA consists primarily of proposed new debt service totaling $52 million for the recent State House ($27.392 million) and State Office Building ($24.610 million) bond issues. This increase is offset by reductions in recommended debt service for Asbury Park, Camden, Capitol Place One and Cherry Hill totaling $5.216 million. $5.216 million reduction for these office buildings reflects defeasance savings that resulted as part of a sale of the Camden Office building in November 2017. The proceeds from the sale were deposited into an escrow account and used to call bonds for redemption on December 21, 2017.

According to the debt service schedule published in the Official Statement, dated January 5, 2018 of the New Jersey Economic Development Authority (EDA), debt service on the State Lease Revenue Bonds, 2018 Series A, B, and C that were issued to finance the costs of the "State Government Buildings Project" is $24.563 million in FY 2019, consistent with the budgeted amount of $24.610 million. The amounts may differ due to miscellaneous fees and expenses. The "State Government Buildings Project" includes the Health Department Office Project, the Taxation Division Office Project, and the Juvenile Justice Commission Facilities Projects.

According to the FY 2017 Debt Report, debt service on the "State House Project" includes $42.775 million State Lease Revenue Bonds in 2017 Series A bonds and $300 million State Lease Revenue Bonds in Series B bonds that mature on December 17, 2018. The debt service report states that "it is anticipated that these bonds will be remarketed prior to their maturity." Hence, the FY 2019 Governor's Budget anticipates no debt service payment in FY 2018 on these bonds and projects a debt service payment of $27.392 million in FY 2019. No terms of the anticipated remarketing were provided to justify the recommendation.

The remaining debt service payment of $970,000 for the State Police Barracks is consistent with the maturity schedule on these bonds in the FY 2017 Debt Report (Office of Public Finance). The proposed changes in debt service with the EDA are shown in Table 2 below.

Table 2

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

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page

Economic Development Authority ($000)						
Economic Development Authority	**FY 2018 Adjusted Appropriation**		**FY 2019 Recommendation**		**Change**	
Asbury Park	$	1,028	$	0	$	(1,028)
Camden	$	1,418	$	55	$	(1,363)
Capital Place One	$	2,087	$	0	$	(2,087)
Cherry Hill	$	738	$	0	$	(738)
State Police Barracks	$	967	$	970	$	3
State House Project	$	0	$	27,392	$	27,392
State Office Building	$	0	$	24,610	$	24,610
Total	$	6,238	$	53,027	$	46,789
Source: Office of Management and Budget						

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page
Other Debt Service Leases and Tax Payments	**$38,516**	**$37,270**	**($1,246)**	**(3.2%)**	**D-435**

The Other Debt Service Leases and Tax Payments appropriation consists primarily of debt service costs, taxes, and payments in lieu of taxes (PILOTs) for facilities financed by independent public entities and occupied by State agencies, including costs other than debt service of the EDA facilities noted above. The proposed FY 2019 reduction in this category is the result of changes in various fees and taxes totaling $1.246 million, as shown in Table 3 below.

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

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page

Table 3

Other Debt Service Leases and Tax Payments ($000)			
Other Debt Service Leases and Tax Payments	FY 2018 Adjusted Appropriation	FY 2019 Recommendation	Change
Asbury Park Administration Fee	$ 112	$ 65	$ (47)
Asbury Park PILOT	$ 83	$ 83	$ 0
Bridgeton Debt Service	$ 1,469	$ 807	$ (662)
Bridgeton Operating Expenses	$ 711	$ 711	$ 0
Camden 101 Haddon Ave. PILOT	$ 407	$ 0	$ (407)
Camden 101 Haddon Ave. Administration Fees	$ 20	$ 0	$ (20)
Capitol One Taxes	$ 2,465	$ 2,585	$ 120
Capital One-EDA Administration Fees	$ 20	$ 26	$ 6
DOT Cherry Hill PILOT	$ 120	$ 120	$ 0
DOT Cherry Hill EDA Administration Fee	$ 20	$ 20	$ 0
Greystone	$ 17,594	$ 17,605	$ 11
Marlboro	$ 3,889	$ 3,874	$ (15)
Justice Complex Taxes	$ 9,604	$ 9,554	$ (50)
Taxation Building Debt Service	$ 691	$ 631	$ (60)
Taxation Building Insurance	$ 20	$ 20	$ 0
Taxation Building Property Taxes	$ 1,222	$ 1,100	$ (122)
Taxation Building TDA Taxes	$ 49	$ 49	$ 0
State Police Locations Administrative Fees EDA	$ 20	$ 20	$ 0
Total	$ 38,516	$ 37,270	$ (1,246)
Source: Office of Management and Budget			

Less: Total Deductions	**$89,224**	**$84,144**	**($5,080)**	**(5.7%)**	**D-435**

This line item represents "direct rent" reimbursements to State agencies from federal and other dedicated funds to defray facilities occupancy costs, based upon the use of those facilities in delivering programs and services supported by those resources. To the extent that these reimbursements decrease, State appropriations needed to fully fund rental and other costs increase.

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

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page
Net Property Rentals	**$146,211**	**$193,116**	**$46,905**	**32.1%**	**D-435**

The "central rent" requirement for FY 2019 is the net result of the increases and decreases in the Property Rental items noted above.

Insurance and Other Services

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

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page
Property Insurance Premium Payments	**$2,833**	**$3,218**	**$ 385**	**13.6%**	**D-435**

The Property Insurance Premium Payments appropriation is used to purchase insurance coverage for property damage to State-owned real and personal property. Coverage includes standard protection for buildings and contents, marine vessels, catastrophic loss to vehicles parked in State locations, and mainframe computer equipment coverage. Additional policies include fine arts coverage and high-value van coverage. Changes in the account are shown below in Table 4.

Table 4

Property Insurance Premium Payments ($000)				
Policy	**Type of Coverage**	**FY 2018**	**FY 2019**	**Percent Change**
Affiliated FM	Property Insurance	$ 2,563	$ 2,945	14.9%
Travelers	Fine Arts Floater – Museum	$ 92	$ 96	4.3%
Travelers	Fine Arts Floater – DEP	$ 3	$ 2	-33.3%
Marsh USA	Brokers Services Fees	$ 175	$ 175	0.0%
Total		$ 2,833	$ 3,218	13.6%
Source: Office of Management and Budget				

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page
Casualty Insurance Premium Payments	**$419**	**391**	**($ 28)**	**(6.7%)**	**D-435**

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

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

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page

State Police marine fleet as well as Aircraft Hull and Liability Insurance. Changes in the account are shown below in Table 5.

Table 5

Casualty Insurance Premium Payments ($000)				
Policy	**Type of Coverage**	**FY 2018**	**FY 2019**	**Percent Change**
AIG Aerospace	Aviation Liability & Hull	$ 281	$ 281	0%
Travelers	Marine (watercraft) Hull-NJSP Marine Fleet	$ 73	$ 63	(13.7%)
Travelers	Marine (watercraft) Hull-DEP Marine Fleet	$ 49	$ 32	(34.7%)
Hartford	Special Vehicle Policy	$ 16	$ 15	(6.3%)
Total		$ 419	$ 391	(6.7%)
Source: Office of Management and Budget				

Special Insurance Policy Premium Payment	**$501**	**$510**	**$ 9**	**1.8%**	**D-435**

The Special Insurance Policy Premium Payment appropriation is used to purchase special insurance policies such as: the New Jersey Network Public Broadcasters Liability (required by the Public Broadcasting Service); the Treasurer's Bond (the State Treasurer is bonded for the handling of various funds); and Blanket Position Bond insurance, which guarantees payment to the State for losses caused through employees' fraudulent or dishonest acts. In addition, special accident and health insurance is purchased to provide for medical expense reimbursement and disability and death benefits to students and volunteers who otherwise do not qualify as State employees and are precluded from collecting workers' compensation benefits. Changes in the account are shown below in Table 6.

Table 6

Special Insurance Policy Premium Payment ($000)				
Policy	**Type of Coverage**	**FY 2018**	**FY 2019**	**Percent Change**
AIG	Primary Crime Insurance	$ 96	$ 98	2.1%
Chubb	Blanket Accident Policy-Superior Court	$ 47	$ 45	(4.3%)
AIG	Student Accident Policy - Katzenbach	$ 1	$ 0	(100.0%)
ACE & Hartford	Capital City (GL, AL, Umbrella)	$ 6	$ 6	0%
Axis Insurance Company	Broadcasters Liability	$ 11	$ 11	0%
AIG	Cyber Liability	$ 340	$ 350	2.9%
Total		$ 501	$ 510	1.8%
Source: Office of Management and Budget				

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

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page

Grants-In-Aid

Aid to Independent Authorities

New Jersey Sports and Exposition Authority-Debt Service	**$64,193**	**$63,665**	**($ 528)**	**(.8%)**	**D-436**

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

According to the Fiscal Year 2017 Debt Report, the total amount of State Contract Bonds outstanding (Page 53) is $301.870 million with a final maturity date of March 1, 2026. The recommended appropriation is consistent with the maturity schedule on outstanding bonds as published in the FY 2017 debt report.

Liberty Science Center	**$13,300**	**$9,799**	**($3,501)**	**(26.3%)**	**D-436**

The decrease in the appropriation for Liberty Science Center eliminates the operating subsidy portion of State support for the facility, which was included in FY 2018 at the Legislature's initiative. The FY 2019 appropriation supports only debt service on outstanding bonds issued to finance the facility.

Under P.L.1974, c.80, the Economic Development Authority is authorized to issue bonds for the design, construction, renovation, expansion, and acquisition of science exhibits for the Liberty Science Center (LSC) begun in 2003. The Liberty Science Center is located in Liberty State Park. Liberty State Park is a 1,200-acre park covering land and marshes in the Meadowlands. It has two restaurants, a marina, the historic Central Railroad Terminal of New Jersey, and the Liberty Science Center (LSC). In FY 2002 and FY 2005, the Economic Development Authority (EDA) issued a total of $95 million in bonds in three separate issuances for the design, construction, renovation, expansion, and acquisition of exhibits for the Liberty Science Center. The projects included the renovation of the building, the construction of a

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

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page

new addition to the center, the renovation and improvement of the Science Center's parking lot, and the improvement of the Central Railroad of New Jersey Terminal.

On November 24, 2015, the EDA issued $79.6 million in refunding bonds which refunded all prior debt issued for Liberty Science Center projects and Liberty State Park projects (EDA). According to the FY 2017 debt report, debt service for Liberty State Park refunding bonds is $9.783 million in FY 2019. The Liberty State Park projects (previously budgeted in Property Rentals under the Economic Development Authority) and the Liberty Science Center projects have been combined and are now budgeted in this appropriation. The recommended FY 2019 appropriation of $9.799 million is consistent with the maturity schedule on outstanding bonds in the FY 2017 debt report.

Since FY 2012, budget language has provided the authority for the LSC appropriation to be used not only for debt service, but also for operational costs of the LSC. The amount of the operational support for the LSC is to be determined by the State Treasurer pursuant to an agreement between the State Treasurer and the LSC. The difference between the total appropriation in a fiscal year and debt service has determined the funding for operational support. From FY 2012 through FY 2018, funding for operational support averaged approximately $3.165 million. Other funding for the Liberty Science Center totaling $1.3 million for Educational Services is budgeted in the Department of Education.

Table 7 illustrates the total funding (excluding funding from the Department of Education) for the Liberty Science Center from FY 2012 through FY 2019 and the debt service and operational support components.

Table 7

Liberty Science Center
History of Appropriations
FY 2012 to FY 2019

	EDA Debt Service	Operational Support	Total
FY 2012	$ 7,426,000	$ 3,600,000	$ 11,026,000
FY 2013	$ 7,390,000	$ 3,600,000	$ 10,990,000
FY 2014	$ 7,350,000	$ 3,600,000	$ 10,950,000
FY 2015	$ 7,300,000	$ 3,645,000	$ 10,945,000
FY 2016	$ 2,400,000	$ 3,700,000	$ 6,100,000
FY 2017	$ 9,684,000	$ 3,616,000	$ 13,300,000
FY 2018 (adjusted)	$ 9,739,000	$ 3,561,000	$ 13,300,000
FY 2019 (recommended)	$ 9,799,000	$ 0	$ 9,799,000

Source: Responses to Discussion Points: Liberty Science Center; Office of Legislative Services, Analyses of the New Jersey Budget, Interdepartmental Accounts; Budget documents.

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

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page
New Jersey Performing Arts Center – Capital Improvements	**$1,700**	**$0**	**($1,700)**	**(100.0%)**	**D-436**

The New Jersey Performing Arts Center (NJPAC) was authorized by P.L.1974, c.80. In 1996, the Economic Development Authority issued $62.91 million in bonds for the construction of the NJPAC including a state-of-the-art center with multi-purpose theaters, support facilities, surface parking, and open plazas. At the initiative of the Legislature, $1.7 million was appropriated in FY 2018 to fund urgent capital improvements to the roof and to the heating, ventilation, and air conditioning system of the performing arts center to ensure its safety and sustainability. No additional funding is proposed for FY 2019.

Capital Construction

Statewide Capital Projects

Statewide Capital Projects include capital additions, improvements, and equipment projects for the construction, maintenance, and repair of State-owned and State-financed buildings including preservation, life safety, construction, compliance, acquisition, and environmental projects.

New Jersey Building Authority	**$86,156**	**$74,654**	**($11,502)**	**(13.4%)**	**D-436**

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

On March 31, 2016, the NJBA issued $97.585 million in refunding bonds due June 15, 2030, bringing the total amount of bonds issued to $618.5 million and total amount of bonds outstanding to $261.1 million. Refunding notes of $42.8 million were issued by Economic Development Authority in May 2017 that reduced NJBA debt related to the State House project. FY 2019 Governor's Budget recommends debt service of $74.654 million, which is consistent with the amount stated in the 2017 Debt Report.

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

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page
State Facilities Energy Efficiency Projects	**$0**	**$5,000**	**$ 5,000**	**---**	**D-436**
Utilities and Other Services	**$53,313**	**$48,313**	**($5,000)**	**(9.4%)**	**D-437**

According to the FY 2019 Budget in Brief, , this new appropriation for State Facilities Energy Efficiency Projects, supported by a transfer of $5 million from the Clean Energy Fund to the General Fund, will enable the Energy Savings Initiative Program to drive important energy efficiency projects in State government. FY 2018 budget language which authorized the appropriation of $52.7 million from the Clean Energy Fund to be allocated for expenditure for fuel and utility costs at State facilities is modified to reduce that appropriation by $5 million, allowing that amount to be re-directed to energy efficiency projects. Proposed FY 2019 Energy Efficiency Projects are illustrated in Table 8 below.

Table 8

FY 2019 Energy Efficiency Projects ($000s)		
Department	**Facility**	**Total**
Department of Military and Veterans' Affairs	Vineland Veterans' Home	$ 650
Department of Human Services	Vineland Developmental Center	$ 1,090
Department of Health	Trenton Psychiatric Center	$ 1,090
Department of Health	Ancora Psychiatric Hospital	$ 1,550
Department of Treasury	State Library/Museum	$ 200
Department of Military and Veterans' Affairs	Menlo Park Veterans' home	$ 150
Department of Military and Veterans' Affairs	Paramus Veterans' Home	$ 150
	Total	$ 4,880
Source: Office of Management and Budget		

EMPLOYEE BENEFITS

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

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

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page

included in the budgets for Interdepartmental Accounts, the Department of Education and the Department of the Treasury. Employer defined contribution system payments and health benefits funding are shown in Table 9 below.

Table 9

FY 2019 Selected Employee Benefits by Department ($000)						
	Defined Benefit Pensions		Health Benefits Active		Post-Retirement Medical	
Interdepartmental DSS and GIA	**$**	**933,948**	**$**	**1,407,744**	**$**	**677,868**
Education	$	1,111,690	$	0	$	1,247,870
Treasury	$	130,281	$	0	$	87,741
Total	$	2,175,919	$	1,407,744	$	2,013,479
Notes: The State employer contribution for the defined benefit pensions is 6/10th of the actuarially determined contributions in all pension funds, except the Consolidated Police and Firemen's Pension Fund (CPFPF), less the Lottery Enterprise contributions for PERS, TPAF, and PFRS. The total Lottery Enterprise contribution for FY 2019 is $1,037,148,584. The table does not include non-contributory insurance.						

Employee Benefits	**$3,628,367**	**$4,011,193**	**$382,826**	**10.6%**	**D-443**

Table 10 summarizes the recommended changes in the appropriations that are included in Direct State Services (DSS) and Grants-In-Aid (GIA) Interdepartmental Accounts sections of the FY 2019 Governor's budget and includes pensions, non-contributory insurance, volunteer emergency survivor benefits, health care benefits for active employees, post-retirement medical, employer taxes, pension bonds, and Affordable Care Act fees.

Table 10

INTERDEPARTMENTAL ACCOUNTS EMPLOYEE BENEFITS State and Higher Education Employees Changes in Appropriations by Program; Adjusted FY 2018 to Recommended FY 2019 ($000)						
	Change in Direct State Services (State Employees)		Change in Grants-In-Aid (Higher Education)		Total Change in DSS and GIA	
Total Pensions*	$	241,363	$	19,587	$	260,950
Pensions–Non-Contributory Insurance	$	78	$	1,016	$	1,094
Total Health Benefits Active	$	49,615	$	26,822	$	76,437
Post-Retirement Medical Benefits	$	18,931	$	3,497	$	22,428
Affordable Care Act Fees	$	(863)	$	(385)	$	(1,248)
Employer Taxes	$	5,567	$	3,761	$	9,328
Pension Bonds	$	13,082	$	755	$	13,837
Total	$	327,773	$	55,053	$	**382,826**
Note: *The Total Pension amount also includes the Alternate Benefit Program, the Defined Contribution Program, the Pension Adjustment Act, the Veterans Act, and the Volunteer Survivor's Benefit. Employer Taxes includes Social Security, Temporary Disability Insurance, and Unemployment Insurance.						

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

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page

The FY 2019 Governor's budget recommends an appropriation of about $4.011 billion to provide funding for benefits for State employees and retirees (DSS) and employees and retirees of State higher educational institutions (GIA). This is $382.826 million, or 10.6 percent, higher than the FY 2018 adjusted appropriation of $3.628 billion. This proposed change is due to increases of: (1) $260.950 million in pension appropriations; (2) $1.094 million in non-contributory insurance; (3) $76.437 million in health care benefits for active employees; (4) $22.428 million in post-retirement medical benefits; (5) $9.328 million in Employer Taxes; and (6) $13.837 million in debt service on Pension Obligation Bonds. These increases are offset by a reduction of $1.248 million in Affordable Care Act fees. Details of the Direct State Services and Grants-In-Aid sections of the Employee Benefits budget are discussed in order below.

Direct State Services

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page
Employee Benefits	**$2,695,966**	**$2,991,239**	**$295,273**	**11.0%**	**D-441**
Management Efficiencies	**($32,500)**	**$0**	**$32,500**	**(100.0%)**	**D-441**

The FY 2018 Appropriations Law assumed savings of $32.5 million from "management efficiencies" which reduced appropriations in the Interdepartmental Accounts section of the budget. Internal budget documents indicate that the management efficiency savings of $32.5million, at the election of the Executive, reduced appropriations to the State Employees' Health Benefits Account in Direct State Services. Budget language authorizes the Executive to transfer funds from other department's appropriations or to appropriate additional funds from surplus, to fully fund health benefits. The FY 2019 budget projects no additional appropriations, but some combination of transfers and additional appropriations may occur to increase FY 2018 health benefits funding by the close of the fiscal year.

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page
Total State Appropriation-Employee Benefits	**$2,663,466**	**$2,991,239**	**$327,773**	**12.3%**	**D-441**

As displayed in the Direct State Services column in Table 10 above, the proposed increase in funding for employee benefits for active and retired State employees is largely the result of higher employers' pension contributions, and increases in health care benefit costs for active employees and retirees.

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

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page
Pensions					
Public Employees' Retirement System	$451,752	$617,864	$166,112	36.8%	D-441
Police and Firemen's Retirement System	$125,840	$169,863	$44,023	35.0%	D-441
Police and Firemen's Retirement System (P.L.1979, c.109)	$2,874	$3,289	$ 415	14.4%	D-441
State Police Retirement System	$72,104	$96,000	$23,896	33.1%	D-441
Judicial Retirement System	$23,266	$29,000	$ 5,734	24.6%	D-441
Teachers' Pension and Annuity Fund	$1,484	$2,570	$ 1,086	73.2%	D-441
Total Defined Benefit Retirement System	$677,320	$918,586	$241,266	35.6%	—

Defined Benefit Retirement System Funding, FY 2014 to FY 2019: Contributions from Sevenths to Tenths to the Lottery Enterprise

The Governor took action in FY 2014 to reduce the FY 2014 3/7ths required employer contribution to the defined benefit retirement systems under P.L.2010, c.1 from $1.582 billion to $695.7 million. The FY 2015 Appropriations Act, after the Governor's line item veto, reduced the FY 2015 4/7ths required employer contribution under P.L.2010, c.1 from $2.249 billion to $680.6 million. Both the FY 2014 expenditures and FY 2015 original appropriations represented only the normal contribution, and omitted payment of the unfunded actuarially accrued liability. Near the close of FY 2015, the Legislature and the Governor approved supplemental appropriations of $212 million to increase FY 2015 employer contributions to 22.7 percent of the full required contribution.

The Governor took action again through line-item veto to reduce the FY 2016 5/7ths required employer contribution to the pension fund under P.L.2010, c.1 from $3.112 billion to $1.307 billion. In his veto message, the Governor stated that the reduction in each retirement system was to establish a different funding schedule that would increase in 1/10th increments, with FY 2016 serving as the first year, beginning at 3/10ths of full funding. The Governor asserted that a regular schedule starting at 3/10ths and increasing annually would result in a return to full funding of the actuarial determined contribution and would ensure the long term solvency, health, and stability of the pension systems.

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

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page

The Governor's FY 2017 Budget continued this policy by making an employer contribution of $1.862 billion, or 4/10ths of the actuarially determined contribution (ADC)[1] of $4.663 billion, based on projection models reflecting the July 1, 2015 valuations results. According to the Office of Management and Budget, under P.L.2010, c.1, the State would have been required to contribute $3.998 billion in FY 2017, equivalent to 6/7ths of the ARC.

The Governor's FY 2018 Budget recommended continuing this policy again, by making an employer contribution of $2.509 billion or 5/10ths of the actuarially determined contribution ($5.018 billion) based on projection models reflecting the July 1, 2016 valuation results. Under P.L.2010, c.1, the State would have been required to contribute the full statutory contribution of $5.018 billion in FY 2018. Prior to the introduction of the FY 2018 annual appropriations bill, the Legislature agreed to approve the Governor's proposal to contribute the State Lottery net proceeds to the benefit of State retirement systems, and the FY 2018 Appropriations Law incorporated this decision.

P.L.2017, c.98 contributed the State Lottery Enterprise to the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), and the Police and Firemen's Retirement System (PFRS) for a term of 30 years. The TPAF, PERS, and PFRS each receive a portion of the proceeds of the Lottery Enterprise, based upon their members' past or present employment in local schools and State institutions. Approximately 77.78 percent of the Lottery Enterprise revenues are apportioned to TPAF, 21.02 percent to PERS, and 1.2 percent to PFRS. The law provided that the sum of State-funded employer contributions and lottery net proceeds will be no different than if the law were not enacted. A special asset adjustment prescribed in law reduces the employer contribution otherwise calculated.

The Governor's FY 2019 Budget recommends continuing the policy of making annual contributions that would increase in 1/10th increments, from two funding sources: the General Fund and the Lottery Enterprise. The FY 2019 contribution will serve as the fourth annual contribution on the incremental one-tenth schedule with a contribution of 6/10ths of the actuarially determined contribution totaling $3.213 billion in FY 2019, compared to a full contribution of $5.355 billion. The budget line items listed above show the differences between the FY 2018 and the proposed FY 2019 General Fund employer contributions for each State-administered defined benefit retirement system in the DSS Interdepartmental Accounts budget under the 1/10th increment schedule.

Table 11 below shows the recommended General Fund and Lottery Enterprise State contribution for each of the State-administered defined benefit retirement systems and the percentage of the ADC that the combined State General Fund and Lottery Enterprise contribution represents. Table 12 shows the breakout of the pension contributions by department.

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[1]The General Accounting Standards Board (GASB) changed the terminology referring to the employer's full actuarial contribution from actuarially required contribution (ARC) to actuarially determined contribution (ADC) at the time of the adoption of GASB Rule 67 in 2013 and Rule 68 in 2014.

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

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page

Table 11

Total Defined Benefits Contributions: Budget Appropriations and Lottery Enterprise					
	FY 2016 @ 3/10	FY 2017 @4/10	FY 2018 @5/10	FY 2019@6/10	FY 2019 ADC
PERS					
Budget Appropriations	$ 354,612	$ 507,178	$ 451,752	$ 628,000	
Lottery Enterprise	$ -		$ 210,405	$ 218,008	
PERS Sub-total	$ 354,612	$ 507,178	$ 662,157	$ 846,008	$ 1,410,013
PFRS					
Budget Appropriations	$ 138,324	$ 195,221	$ 239,447	$ 307,999	
Lottery Enterprise	$ -		$ 12,012	$ 12,446	
PFRS Sub-total	$ 138,324	$ 195,221	$ 251,459	$ 320,445	$ 534,075
SPRS					
Budget Appropriations	$ 35,580	$ 51,038	$ 72,104	$ 96,000	$ 160,000
JRS					
Budget Appropriations	$ 13,951	$ 19,677	$ 23,266	$ 29,000	$ 48,333
TPAF					
Budget Appropriations	$ 764,489	$ 1,087,919	$ 721,229	$ 1,114,920	
Lottery Enterprise	$ -	$ -	$ 778,560	$ 806,694	
TPAF Sub-total	$ 764,489	$ 1,087,919	$ 1,499,789	$ 1,921,614	$ 3,202,690
CPFPF					
Budget Appropriations	$ 148	$ 575	$ 325	$ -	$ -
CPFPF Sub-total					
Total State Contribution	$ 1,307,104	$ 1,861,608	$ 1,508,123	$ 2,175,919	
Total State Lottery Enterprise Contribution			$ 1,000,977	$ 1,037,148	
Total ADC	$ 4,357,013	$ 4,653,148	$ 5,018,200	$ 5,355,112	$ 5,355,112
Total State & Lottery Enterprise Contribution/ADC	30%	40%	50%	60%	100%

Table 12

Total Defined Benefit Contributions by Department ($000)					
	FY 2016	FY 2017	FY 2018	FY 2019	FY18 to FY19 $ Change
Interdepartmental DSS & GIA	$ 484,227	$ 691,275	$ 679,803	$ 933,948	$ 254,145
Education	$ 761,169	$ 1,083,157	$ 719,396	$ 1,111,690	$ 392,294
Treasury	$ 61,708	$ 87,176	$ 108,924	$ 130,281	$ 21,357
Total State Contribution	$ 1,307,104	$ 1,861,608	$ 1,508,123	$ 2,175,919	$ 667,796
Total Lottery Contribution			$ 1,000,977	$ 1,037,148	$ 36,171
Total Pension Contribution	$ 1,307,104	$ 1,861,608	$ 2,509,100	$ 3,213,067	$ 703,967

Alternate Benefit Program – Employer Contributions	**$1,209**	**$1,246**	**$ 37**	**3.1%**	**D-441**

The Alternate Benefit Program (ABP) (N.J.S.A. 18A:66-167 et seq.) is principally for full-time faculty of public institutions of higher education, but also includes certain State professional administrative staff. Participants have the option to provide for their retirement through the purchase of fixed or variable annuities underwritten by private vendors, the Teachers Insurance and Annuity Association (TIAA), or the College Retirement Equities Fund (CREF). The minimum contribution by employees is 5 percent of base salary. The employers (State and institutions of higher education) contribute a flat rate of 8 percent of base salary. Contributions

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

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page

are included in the Interdepartmental Accounts and the Department of the Treasury's recommended budgets (the latter for county college faculty).

The FY 2019 Governor's Budget recommends an appropriation of $1.246 million for active State professional administrative staff at public institutions of higher education. This amount is based on membership and wage trends and is consistent with the Division of Pensions and Benefits assumption of a 2 percent reduction from a revised wage base. While these assumptions would suggest that ABP appropriations should decline, the FY 2019 appropriation increases because revised FY 2018 costs are in excess of the amount budgeted.

Defined Contribution Retirement Program	**$1,416**	**$1,476**	**$ 60**	**4.2%**	**D-441**

P.L.2007, c.92 established a Defined Contribution Retirement Program (DCRP) for elected and certain appointed officials and for certain other public employees. State and local government employers contribute 3 percent of the employee's base salary; group life insurance and the option for disability benefits coverage are provided to participants. Participants contribute 5.5 percent of their salary. Participants in the DCRP include new public employees and teachers who do not meet the required number of work hours necessary to participate in PERS and TPAF, and public employees whose salary exceeds the annual maximum wage contribution base for Social Security, which is $128,400 for calendar year 2018.

The FY 2019 Governor's Budget recommends an appropriation of $1.476 million to provide full funding of the calculated State contribution. The Division of Pensions and Benefits does not include a forecast of total base salaries on which the appropriation is based. Evaluation data on page D-440 projects growth in State active members from 4,039 to 4,208 in FY 2019, a percentage increase of 4.2 percent.

Total Pensions (DSS)	**$680,737**	**$922,100**	**$241,363**	**35.5%**	**---**

This total includes the proposed appropriations for the PERS, PFRS, SPRS, JRS, TPAF, the ABP, the DCRP, the Pension Adjustment Act, Veterans' Act Pensions, and the Volunteer Emergency-Worker Survivor's Pension. It does not include Veterans' Act Pensions ($63,000). Currently, there are two individuals receiving Veterans' Act pensions. The Division of Pensions and Benefits assumes that the count and appropriation will remain the same in FY 2019.

Non-Contributory Insurance

Non-Contributory Insurance (NCI) appropriations fund the group life insurance plan for enrolled members, also known as the death benefit. NCI comprises part of the State's annual required contributions, but is paid in full each year. NCI is a group insurance plan in which the insured members pay no portion of the premium for their insurance. The group policyholder pays the entire premium. The enrollment of group members is automatic and all eligible members are covered. The State funds NCI for State employees budgeted in Direct State Services and for employees of public State institutions of higher of education budgeted in Grants-In-Aid. Total State NCI appropriations for both Direct State Services and Grants-In-Aid are displayed in Table 13 below.

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

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page

Table 13

Total Non-Contributory Insurance – Interdepartmental Accounts ($000)				
	FY 2018	FY 2019	$ Change	% Change
Total NCI in IDA-DSS	**$42,234**	**$42,312**	**$ 78**	**0.2%**
Total NCI in IDA-GIA	$27,754	$28,770	$1,016	3.7%
Total NCI	$69,988	$71,082	$1,094	1.6%

The recommended Non-Contributory Insurance appropriations for each account in the Direct State Services budget are listed below.

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page
Public Employees' Retirement System	**$30,487**	**$29,672**	**($ 815)**	**(2.7%)**	**D-441**
Police and Firemen's Retirement System	**$8,500**	**$9,031**	**$ 531**	**6.2%**	**D-441**
Alternate Benefit Program	**$193**	**$204**	**$ 11**	**5.7%**	**D-441**
Defined Contribution Retirement Program	**$612**	**$662**	**$ 50**	**8.2%**	**D-441**
State Police Retirement System	**$1,719**	**$2,000**	**$ 281**	**16.3%**	**D-441**
Judicial Retirement System	**$676**	**$696**	**$ 20**	**3.0%**	**D-441**
Teachers' Pension and Annuity Fund	**$47**	**$47**	**0**	**—**	**D-442**
Total Non-Contributory Insurance	**$42,234**	**$42,312**	**$ 78**	**.2%**	**---**

The proposed FY 2019 change in each account reflects the pay-as-you go cost to fund NCI claims in FY 2019. According to the Division of Pensions and Benefits, total non-contributory insurance costs reflect anticipated pay-as-you-go insurance costs and include a total of $6.4 million for long-term disability (LTD) benefits on behalf of PERS and TPAF members for both Direct State Services and Grants-In-Aid. A breakout between the DSS and GIA accounts of the $6.4 million in LTD benefits was not available.

The LTD program was created by P.L.2010, c.3 for PERS and TPAF members hired after the effective date of the legislation. As a result, the State is required to pay LTD insurance premiums to a vendor for all eligible PERS and TPAF members.

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

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page
Pension Obligation Bonds					
Debt Service on Pension Obligation Bonds	**$168,221**	**$181,303**	**$13,082**	**7.8%**	**D-442**

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. According to the FY 2017 debt report (Page 40), total bonds outstanding as of June 30, 2017 are $2.142 billion with a final maturity date of February 15, 2029. This appropriation represents continued State debt service payments on these bonds.

Total pension obligation bond debt service is recommended at $459.857 million in FY 2019, consistent with the schedule of debt service payments in the debt report. Funding for debt service on these bonds is appropriated in three sections of the budget: Interdepartmental Accounts, the Department of Education, and the Department of the Treasury. The Interdepartmental Accounts budget includes appropriations totaling $191.763 million: $181.303 million in DSS (State employees) and $10.460 million in GIA (higher education employees). The budget for the Department of Education includes an appropriation for debt service on pension obligation bonds of $243.809 million and the remaining $24.285 million is budgeted in the Department of the Treasury. Table 14 displays the recommended appropriations for Debt Service on Pension Obligations Bonds budgeted in Interdepartmental Accounts, the Department of Education, and the Department of the Treasury.

Table 14

Debt Service on Pension Obligation Bonds ($ Millions)			
Department	**FY 2018 Adjusted Appropriation**	**FY 2019 Recommended Appropriation**	**FY 18 to FY 19 $ Change**
Interdepartmental Accounts-DSS	**$ 168.221**	**$ 181.303**	**$ 13.082**
Interdepartmental Accounts-GIA	$ 9.705	$ 10.460	$ 755
Subtotal Interdepartmental Accounts	$ 177.926	$ 191.763	$ 13.837
Dept. of Education-State Aid	$ 226.217	$ 243.809	$ 17.592
Treasury-State Aid - PFRS	$ 22.312	$ 24.047	$ 1.735
Treasury-State Aid – Higher Education	$ 0.221	$ 0.238	$ 0.017
Total Debt Service on Pension Obligation Bonds	$ 426.676	$ 459.857	$ 33.181

Health Benefits

The appropriations for State employees' health benefits in the Interdepartmental Accounts budget include State Health Benefit Program (SHBP) medical, prescription drug, dental, and vision coverage and pertain to active State employees and retirees. For plan year 2018, January 1, 2018 – December 31, 2018 overall premium rate increases for active employees recommended by the actuary are 0 percent for medical and prescription drug coverage (PPO

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

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page

and HMO combined) and decreases of 4.4 percent for early retirees and 6.3 percent for Medicare retirees. Table 15 shows the State Health Benefits Program expenditure detail: the dollar and percentage change in the accounts from FY 2018 to FY 2019 for active State employees in the DSS accounts (State operations), for active employees of public institutions of higher education in the GIA accounts, and in total. Please note that the FY 2018 appropriation for Active State Health Benefits in Direct State Services in Table 15 below reflects a reduction for $32.5 million in management efficiencies.

The FY 2018 budget assumed savings of $81.4 million in OON reforms and $43.6 million in School Employees' Health Benefits Program (SEHBP) reforms that were not adopted in FY 2018. According to the State Treasurer, savings from revisions to the pharmacy benefit management contract may total $150 million in FY 2018, compared to the original FY 2018 SHBP savings estimate of $40 million. These additional savings will help make up for absence of savings from OON and other SEHBP changes.

Table 15

FY 2019 GOVERNOR'S BUDGET ACTIVE EMPLOYEES' STATE HEALTH BENEFITS DETAIL					
	FY 2017	FY 2018 (1)	FY 2019	$ Change	% Change
Direct State Services					
Health Benefits Active Members	$ 641,095	$ 686,942	$ 689,851	$ 2,909	0.42%
Prescription Drugs Active Members	$ 197,609	$ 180,659	$ 194,363	$ 13,704	7.6%
Dental Benefits Active Members	$ 21,672	$ 22,423	$ 22,925	$ 502	2.2%
Vision Benefits Active Members	$ 58	$ 500	$ 500	$ -	0.0%
Management Efficiencies		$ (32,500)			
Total Direct State Services	$ 860,434	$ 858,024	$ 907,639	$ 49,615	5.8%
Grants-In-Aid					
Health Benefits Active Members	$ 332,229	$ 357,219	$ 376,624	$ 19,405	5.4%
Prescription Drugs Active Members	$ 100,939	$ 104,643	$ 111,897	$ 7,254	6.9%
Dental Benefits Active Members	$ 10,930	$ 11,421	$ 11,584	$ 163	1.4%
Total Grants-In-Aid	$ 444,098	$ 473,283	$ 500,105	$ 26,822	5.7%
Total					
Health Benefits Active Members	$ 973,324	$ 1,044,161	$ 1,066,475	$ 22,314	2.1%
Prescription Drugs Active Members	$ 298,548	$ 285,302	$ 306,260	$ 20,958	7.3%
Dental Benefits Active Members	$ 32,602	$ 33,844	$ 34,509	$ 665	2.0%
Vision Benefits Active Members	$ 58	$ 500	$ 500	$ -	0.0%
Total Direct State Services and Grants-In-Aid	**$ 1,304,532**	**$ 1,331,307**	**$ 1,407,744**	$ 76,437	5.7%

Prospective and Re-adopted Plan Design Changes Assumed for Active and Retired State Health Benefits in FY 2019

According to the FY 2019 Budget in Brief, the budget anticipates total savings of $118.7 million, $61.4 million from prospective plan design changes to the SHBP, $20.1 million from prospective plan design changes to the SEHBP, and $37.3 million from SHBP plan design committee re-adoption of reforms approved in prior years. These re-adoptions include reforms such as prescription drug formulary management and mandatory generic utilization to achieve lower prescription drug costs.

The Interdepartmental Accounts section of the FY 2019 budget reflects $98.6 million of the total anticipated savings, as follow: : $61.3 million from prospective SHBP and SEHBP plan

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

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page

design changes that reform procedures for approving and reimbursing elective non-mental health out-of-network services (OON); $10.5 million from SHBP re-adoption of mandatory generic prescription utilization; $13.5 million from SHBP re-adoption of a preferred drug formulary; and $13.3 million in SHBP adoption of reimbursement limits on out-of-network physical therapy. The SEHBP has not fully conformed to the plan design changes already adopted and implemented by the SHBP, except for restricting compound drugs and Hepatitis–C preferred drug treatment. An additional $20.1 million is assumed in FY 2019 SEHBP savings from the implementation of OON reforms, but are not reflected in the Interdepartmental Accounts budget.

According to the Office of Management and Budget, significant factors attributing to the year-over-year State Health Benefits cost projections include demographic and cost-trend changes; those trend-driven changes were not described in detail. The FY 2019 recommendation includes an assumption for the reduction of cost relating to plan design change reforms of $118.7 million (combined active and PRM). The FY 2019 budget recommendation for active employee health benefits and retiree post-retirement medical benefits budgeted in the Interdepartmental Accounts budget include:

Prospective OON Reforms - $61.3 million:

- $24 million in Direct State Services
- $12.5 million in Grants-In-Aid
- $20.5 million in Direct State Services in State post-retirement medical
- $4.3 million in Grants-In-Aid in Higher Education post-retirement medical

Re-adoption of Mandatory Generics - SHBP - $10.5 million:

- $2.0 million in Direct State Services
- $1.0 million in Grants-In-Aid
- $6.1 million in Direct State Services in State post-retirement medical
- $1.4 million in Grants-In-Aid in Higher Education post-retirement medical

Re-adoption of Preferred Drug Formulary – SHBP - $13.5 million:

- $2.5 million in Direct State Services
- $1.3 million in Grants-In-Aid
- $7.9 million in Direct State Services in State post-retirement medical
- $1.8 million in Grants-In-Aid in Higher Education post-retirement medical

Re-adoption of Physical Therapy OON limits– SHBP $13.3 million:

- $4.9 million in Direct State Services
- $2.6 million in Grants-In-Aid
- $4.7 million in Direct State Services in State post-retirement medical
- $1.1 million in Grants-In-Aid in Higher Education post-retirement medical

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

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page

Direct State Services

The FY 2019 Governor's budget recommends a total of $907.639 million for active State employees' medical, prescription drug, dental, and vision coverage health care benefits. As displayed, this represents an increase of 5.8 percent, or $49.615 million in FY 2019 resulting from gross increases in health care costs, offset by employee contributions, savings from plan design changes and restoration of an FY 2018 reduction for management efficiencies unrelated to health benefit programs and costs. The funding for State employees' health benefits is itemized in the following appropriations:

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page
State Employees' Health Benefits	**$686,942**	**$689,851**	**$ 2,909**	**.4%**	**D-442**
State Employees' Prescription Drugs-	**$180,659**	**$194,363**	**$13,704**	**7.6%**	**D-442**
State Employees' Dental Program-Shared Cost	**$22,423**	**$22,925**	**$ 502**	**2.2%**	**D-442**
State Employees' Vision Care Program	**$500**	**$500**	**$0**	**—**	**D-442**
Less: Management Efficiencies	**($32,500)**	**0**	**$32,500**		**D-442**
Total State Health Benefits (Active State Employees)	**$858,024**	**$907,639**	**$49,615**	**5.8%**	**---**

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

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page

The components of change in each individual account are shown in Table 16 below.

Table 16

Summary of Changes, State Health Benefits – Direct State Services ($000)				
	FY 2018 Adjusted Appropriation	Gross Increase	Plan Design Changes	FY 2019 Recommendation
State Employees	$ 686,942	$ 31,844	$ (28,935)	$ 689,851
State Employees' Prescription Drug	$ 180,659	$ 18,204	$ (4,500)	$ 194,363
State Employees' Dental	$ 22,423	$ 502	$ 0	$ 22,925
State Employees' Vision	$ 500		$ 0	$ 500
Total	$ 890,524	$ 50,550	$ (33,435)	$ 907,639
Source: Office of Management and Budget				

Post-Retirement Medical Benefits

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

Post-retirement medical benefits are budgeted in DSS and GIA in the Interdepartmental Accounts budget, State Aid in Treasury, and State Aid in the Department of Education as shown in Table 17 below.

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

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page

Table 17

State-Funded Post-Retirement Medical Benefits ($000)				
Department	**FY 2017**	**FY 2018**	**FY 2019**	**$ Change FY18 to FY19**
Interdepartmental DSS	**$ 535,754**	**$ 546,092**	**$ 565,023**	**$ 18,931**
Interdepartmental GIA	$ 109,147	$ 109,348	$ 112,845	$ 3,497
Interdepartmental Total DSS/GIA	$ 644,901	$ 655,440	$ 677,868	$ 22,428
Education State Aid	$ 1,139,894	$ 1,195,527	$ 1,247,870	$ 52,343
Treasury State Aid	$ 80,904	$ 83,835	$ 87,741	$ 3,906
Total PRM	$ 1,865,699	$ 1,934,802	$ 2,013,479	$ 78,677

For post-retirement medical benefits in DSS, the FY 2019 Governor's Budget recommends a total of about $565 million for State retirees' medical and prescription drug coverage. This is about $18.9 million more than FY 2018 appropriations. A portion of this additional growth is attributable to the Affordable Care Act Health Insurer's Fee (HIF). Under the ACA, the HIF applies to all insurers offering fully insured coverage and any insured public programs, including Medicare Advantage, Medicare Part D, and Medicaid Managed Care. The fee commenced in FY 2014 for FY 2015 and FY 2016. In December 2015, Congress suspended the fee for 2017 and FY 2018. According to the Office of Management and Budget, the cost of the Affordable Care Act Health Insurance Fee (HIF) to the SHBP Medicare Advantage Plan is $10.1 million in FY 2019. The cost of the HIF to the SEHBP for State-paid retirees is estimated to be $2.4 million in FY 2019. The HIF cost to the SHBP is not included in the ACA fee line item but rather is included in the DSS and GIA post-retirement medical appropriations in Interdepartmental Accounts. (The HIF cost to the SEHBP is included in the post-retirement medical benefits appropriation for State Aid in the Department of Education.) The growth in post-retirement medical benefits in FY 2019 is offset by $39.144 million in prospective plan design changes. (See Table18 below.)

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

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page
Public Employees' Retirement System-Post Retirement Medical	**$377,238**	**$391,583**	**$14,345**	**3.8%**	**D-441**
Teachers' Pension and Annuity Fund-Post Retirement Medical-State	**$3,002**	**$3,083**	**$ 81**	**2.7%**	**D-441**

The appropriation above funds a small subset of the Teachers' Pension and Annuity Fund (TPAF) retiree health benefit costs-those attributable to members that retired from State service.

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page
Other Pension Systems-Post Retirement-Medical	**$165,852**	**$170,357**	**$ 4,505**	**2.7%**	**D-442**

The appropriation presented above funds medical and prescription drug coverage for retired State employees in PFRS, SPRS, JRS, and the ABP.

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page
Total Post-Retirement Medical-DSS	**$546,092**	**$565,023**	**$18,931**	**3.5%**	**---**

The components of change in each individual account are shown in Table 18 below.

Table 18

Summary of Post-Retirement Medical Accounts Direct State Services ($000)				
Health Benefit Account	**FY 2018 Adjusted Appropriation**	**Gross Increase**	**Plan Design Changes**	**FY 2019 Recommendation**
PERS PRM	$ 377,328	$ 41,884	$ (27,539)	$ 391,583
TPAF PRM	$ 3,002	$ 317	$ (236)	$ 3,083
Other PRM	$ 165,852	$ 15,874	$ (11,369)	$ 170,357
Total	**$ 546,092**	**$ 58,075**	**$ (39,144)**	**$ 565,023**
Source: Office of Management and Budget				

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

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page
Affordable Care Act Fees					
Affordable Care Act Fees	**$1,316**	**$453**	**($ 863)**	**(65.6%)**	**D-442**

The FY 2019 Governor's budget recommends a reduction of 65.6 percent, or $863,000 for the Direct State Services cost of the Affordable Care Act (ACA) fees. The primary reason for the reduction in ACA fees is the expiration of the Patient-Centered Outcomes Research Institute fee (PCORI) in federal fiscal year 2018. It was a five-year fee effective January 1, 2014 affecting the State budget in fiscal years 2015-2019, imposed to help fund evidence-based medical outcomes research. The budgeted amount for the fee was determined by applying the plan year 2018 $2.39 fee to the number of projected covered lives in the SHBP plans, and projected early retiree/Medicare retiree covered lives in the SEHBP plans. The allocation of costs was based on plan enrollment and coverage level distributions.

Under the Patient Protection and Affordable Care Act (ACA), the State, as a self-funded non-federal sponsor of a group health plan was required to pay four fees: the Health Insurance Fee (HIF), the Cadillac Tax, the Transitional Reinsurance Fee and the PCORI fee. The HIF and the Cadillac Tax have both been suspended over various years and are not accounted for in this line item. The Transitional Reinsurance Fee expired in FY 2018.

ACA fees are allocated among three departments: Interdepartmental Accounts, Department of Education, and the Department of the Treasury. The FY 2019 Governor's budget recommends appropriations totaling $921,000 in these three budgets to pay for the State costs related to the remaining ACA PCORI fee. This is $1.765 million, or 47.8 percent, less than the FY 2018 fees. Table 19 displays the FY 2018 and FY 2019 State appropriations for the PCORI fee.

Table 19

Affordable Care Act Fees ($ Millions)			
Allocation of Fees by Department	**FY 2018**	**FY 2019**	**FY18–FY 19 $ Change**
Interdepartmental Accounts-DSS	**$ 1.316**	**$ 0.453**	**$ (0.863)**
Interdepartmental Accounts-GIA	$ 0.571	$ 0.186	$ (0.385)
Education-State Aid	$ 0.784	$ 0.278	$ (0.506)
Treasury-State Aid	$ 0.015	$ 0.004	$ (0.011)
Total ACA Fees	$ 2.686	$ 0.921	$ (1.765)
State Costs by ACA Fee			
Total Comparative Effectiveness Fee (PCORI)	$ 2.686	$ 0.921	$ (1.765)
Total Health Insurance Fee	$ 0	$ 12.500	$ 12.500
Total Transitional Reinsurance Fee	$0 Fee sunset after final payment in FY 2018		
Cadillac Tax	$0 Delayed until 2022		

Source: Office of Management and Budget

The OLS notes that in addition to the ACA fees that are budgeted in this line item, the post-retirement medical accounts reflect an additional ACA Fee totaling $12.5 million in FY 2019. The State Health Benefits Program and the School Employees' Health Benefits Program will be

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

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page

charged the Health Insurer's Fee (HIF) totaling $10.1 million and $2.4 million, respectively. The Cadillac tax is delayed until 2022.

Employer Taxes

Total Employer Taxes	**$366,842**	**$372,409**	**$ 5,567**	**1.5%**	

The total above is the sum of employer taxes attributable to State employees. Employer taxes consist of Social Security contributions to the federal government, Temporary Disability contributions to the State Disability Benefits Fund, and Unemployment Insurance, for which the State is self-insured and therefore budgets its share on a pay as you go basis. The components of change are set forth below.

Social Security Tax-State	**$353,733**	**$359,039**	**$ 5,306**	**1.5%**	**D-442**

The Social Security Tax-State appropriation in Direct State Services provides funding for the employer's share of Social Security contributions for State employees, not including employees of institutions of higher education. The recommended appropriation is an estimate of the funding required to meet the State's liability as an employer to pay Federal Insurance Contributions Act (FICA), Old Age, Survivors, and Disability Insurance (OASDI), and Medicare taxes. The current employer rate for Social Security is 6.2 percent of taxable wages and the rate for Medicare is 1.45 percent. There is no Medicare wage base, so Medicare taxes are paid on total compensation. The taxable wage base for Social Security for calendar year 2018 is $128,400, $1,200 or 0.94 percent more than the taxable wage base for Social Security in calendar year 2017.

The FY 2019 Governor's budget recommends an appropriation of $359.039 million in FY 2019, approximately 1.5 percent higher than in FY 2018, reflecting the wage base increase and other payroll growth.

Temporary Disability Insurance Liability	**$10,449**	**$10,710**	**$ 261**	**2.5%**	**D-442**

All eligible State employees are included in the State Temporary Disability Insurance (TDI) plan. The plan is a shared-cost plan which provides payments to employees who are unable to work as the result of non-work connected illness or injury and who have exhausted their sick leave and are ineligible for any unemployment compensation or workers' compensation. Employees and employers contribute 0.5 percent of compensation up to the State taxable wage base. The State taxable wage base in fiscal year 2019 is $34,700. The Division of Pension and Benefits assumes that the TDI employer rate is expected to remain at 0.5 percent of taxable wages through FY 2019, and taxable wages for Direct State Services are assumed to decrease by 1 percent. While these assumptions would suggest that TDI appropriations should decline, the FY 2019 appropriation increases because revised FY 2018 costs are in excess of the amount budgeted.

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

Grants-In-Aid

Employee Benefits

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page
Employee Benefits Total Grants-In-Aid	**$964,901**	**$1,019,954**	**$55,053**	**5.7%**	**D-442**

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

Pensions

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page
Public Employees' Retirement System	**$0**	**$10,136**	**$10,136**	**-----**	**D-442**
Police and Firemen's Retirement System	**$1,875**	**$4,645**	**$ 2,770**	**147.7%**	**D-442**
Teachers' Pension and Annuity Fund	**$283**	**$581**	**$ 298**	**105.3%**	**D-442**
Total State-Administered Defined Benefit Retirement System-GIA	**$2,158**	**$15,362**	**$13,204**	**611.9%**	**-----**

The Governor's FY 2019 Budget recommends making an employer contribution of about $13.2 million or 6/10ths of the actuarially determined contribution for each of the State-administered retirement systems for employees of State higher educational institutions. These recommendations are based on projection models reflecting the July 1, 2017 valuation results and projections under P.L.2017, c.98, the Lottery Enterprise Contribution. Please refer to pages 20-21 for a detailed discussion of the funding of the Lottery Enterprise Contribution.

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page
Alternate Benefit Program Employer Contributions	**$150,598 S $8,969**	**$165,950**	**$ 6,383**	**4.0%**	**D-442**

The Alternate Benefit Program (ABP) (N.J.S.A. 18A:66-167 et seq.) is principally for full-time faculty of public institutions of higher education, but also includes certain State professional administrative staff.

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

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page

The FY 2019 Governor's budget recommends an appropriation of $165.95 million for active employees of institutions of higher education. This amount is based on membership and wage trends. Mid-year review of the account indicated that the current year wage base increased by about 6 percentage points more than originally anticipated resulting in the need for an FY 2018 supplemental appropriation of $8.969 million. According to the Division of Pensions and Benefits, salaries are assumed to increase by 4 percent for State Higher Education employees between FY 2018 and FY 2019. The FY 2019 recommendation is consistent with the Division of Pensions and Benefits assumption of a 4 percent growth in costs over a revised FY 2018 base that is higher than originally assumed.

Total Pensions-GIA	**$161,725**	**$181,312**	**$19,587**	**12.1%**	**---**

Non-Contributory Insurance

Non-Contributory Insurance (NCI) appropriations fund the group life insurance plan for enrolled members, also known as the death benefit. Changes in the account are shown in Table 20 below. Please refer to pages 23-24 for a detailed discussion of Non-contributory Insurance.

Table 20

Total Non-Contributory Insurance – Interdepartmental Accounts ($000)				
	FY 2018	FY 2019	$ Change	% Change
Total NCI in IDA-DSS	$42,234	$42,312	$ 78	0.2%
Total NCI in IDA-GIA	**$27,754**	**$28,770**	**$1,016**	**3.7%**
Total NCI	$69,988	$71,082	$1,094	1.6%

The recommended Non-Contributory Insurance appropriations for each account in the Grants-In-Aid budget are listed below.

Public Employees' Retirement System-Non-Contributory Insurance	**$5,334**	**$5,109**	**($ 225)**	**(4.2%)**	**D-442**
Police and Firemen's Retirement System-Non-Contributory Insurance	**$339**	**$386**	**$ 47**	**13.9%**	**D-442**
Alternate Benefit Program-Non-Contributory Insurance	**$22,077**	**$23,271**	**$ 1,194**	**5.4%**	**D-442**

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

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page
Teachers' Pension and Annuity Fund-Non-Contributory Insurance	**$4**	**$4**	**0**	**—**	**D-442**
Total Non-Contributory Insurance-GIA	**$27,754**	**$28,770**	**1,016**	**3.7%**	**---**

The proposed FY 2019 change in each account reflects the pay-as-you go cost to fund NCI claims in FY 2019. According to the Division of Pensions and Benefits, total non-contributory insurance costs reflect anticipated pay-as-you-go insurance costs and include a total of $6.4 million for long-term disability (LTD) benefits on behalf of PERS and TPAF members for both Direct State Services and Grants-In-Aid. A breakout between the DSS and GIA accounts of the $6.4 million in LTD benefits was not available.

The LTD program was created by P.L.2010, c.3 for PERS and TPAF members hired after the effective date of the legislation. As a result, the State is required to pay LTD insurance premiums to a vendor for all eligible PERS and TPAF members.

Pension Obligation Bonds

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page
Debt Service on Pension Obligation Bonds	**$9,705**	**$10,460**	**$ 755**	**7.8%**	**D-443**

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. According to the FY 2017 debt report (Page 40), total bonds outstanding as of June 30, 2017 are $2.142 billion with a final maturity date of February 15, 2029. This appropriation represents continued State debt service payments on these bonds. Changes in the accounts are shown in Table 21 below.

Table 21

Debt Service on Pension Obligation Bonds ($ Millions)			
Department	**FY 2018 Adjusted Appropriation**	**FY 2019 Recommended Appropriation**	**FY 18 to FY 19 $ Change**
Interdepartmental Accounts-DSS	$ 168.221	$ 181.303	$ 13.082
Interdepartmental Accounts-GIA	**$ 9.705**	**$ 10.460**	**$ 755**
Sub-Total Interdepartmental Accounts	$ 177.926	$ 191.763	$ 13.837
Dept. of Education-State Aid	$ 226.217	$ 243.809	$ 17.592
Treasury-State Aid - PFRS	$ 22.312	$ 24.047	$ 1.735
Treasury-State Aid – Higher Education	$ 0.221	$ 0.238	$ 0.017
Total Debt Service on Pension Obligation Bonds	$ 426.676	$ 459.857	$ 33.181

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

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page

Please refer to page 25 for a detailed discussion of the Pension Obligation Bonds.

Health Benefits

The appropriations for State employees' health benefits in the Interdepartmental Accounts budget include State Health Benefit Program (SHBP) medical, prescription drug, dental, and vision coverage and pertain to active State employees and retirees. For plan year 2018, January 1, 2018 – December 31, 2018 overall premium rate increases for active employees recommended by the actuary are 0 percent for medical and prescription drug coverage (PPO and HMO combined) and decreases of 4.4 percent for early retirees and 6.3 percent for Medicare retirees.

The FY 2019 Governor's budget recommends a total of about $500.1 million in FY 2019 for employees of State institutions of higher education medical, prescription drug, and dental coverage health care benefits. This represents an increase of 5.7 percent, or $26.822 million, resulting from gross increases in health care costs offset by savings from prospective and re-adopted plan design changes. The funding for employees of State institutions of higher education health benefits is itemized in the following appropriations:

State Employees' Health Benefits	**$357,219**	**$376,624**	**$19,405**	**5.4%**	**D-443**
State Employees' Prescription Drugs	**$104,643**	**$111,897**	**$ 7,254**	**6.9%**	**D-443**
State Employees' Dental Program-Shared Cost	**$11,421**	**$11,584**	**$ 163**	**1.4%**	**D-443**
Total State Health Benefits-(Active Higher Education Employees)	**$473,283**	**$500,105**	**$26,822**	**5.7%**	**---**

The components of change in each individual account are shown in Table 22 below.

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

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page

Table 22

Summary of Changes State Health Benefits – Grants-In-Aid ($000)				
	FY 2018 Adjusted Appropriation	Gross Increase	Plan Design Changes	FY 2019 Recommendation
Higher Education Employees	$ 357,219	$ 34,451	$ (15,046)	$ 376,624
Higher Education Employees' Prescription Drug	$ 104,643	$ 9,552	$ (2,298)	$ 111,897
Higher Education Employees' Dental	$ 11,421	$ 163	$ 0	$ 11,584
Total	$ 473,283	$ 44,166	$ (17,344)	$ 500,105
Source: Office of Management and Budget				

Please refer to pages 25-27 for a detailed discussion of State Health Benefits for Active Employees.

Post- Retirement Medical Benefits

The FY 2019 Governor's budget recommends a total of about $112.8 million for retirees of State institutions of higher education post-retirement medical and prescription drug coverage. This is an increase of 3.2 percent, or about $3.5 million, above the amount appropriated in FY 2018.

Public Employees' Retirement System-Post Retirement Medical	**$55,111**	**$57,144**	**$ 2,033**	**3.7%**	**D-442**
Teachers' Pension and Annuity Fund-Post Retirement Medical-State	**$4,477**	**$4,515**	**$ 38**	**.8%**	**D-442**

The appropriation presented above funds a small subset of the Teachers' Pension and Annuity Fund (TPAF) retiree health benefit costs, those attributable to members that retired from State service at public institutions of higher education.

Other Pension Systems-Post Retirement Medical	**$49,760**	**$51,186**	**$ 1,426**	**2.9%**	**D-443**

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

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page

The appropriation presented above funds medical and prescription drug coverage for retired higher education employees in PFRS and the ABP.

Please refer to pages 29-30 for a detailed discussion of Post-Retirement Medical Benefits.

Total Post-Retirement Medical-GIA	**$109,348**	**$112,845**	**$ 3,497**	**3.2%**	**---**

The components of change are shown in Table 23 below.

Table 23

Summary of Post-Retirement Medical Accounts Grants-In-Aid ($000)				
Health Benefit Account	FY 18 Adjusted Appropriation	Gross Change	Plan Design Changes	FY 2019 Recommendation
PERS PRM	$ 55,111	$ 6,448	$ (4,415)	$ 57,144
TPAF PRM	$ 4,477	$ 368	$ (330)	$ 4,515
Other PRM	$ 49,760	$ 5,358	$ (3,932)	$ 51,186
Total	$ 109,348	$ 12,174	$ (8,677)	$ 112,845
Source: Office of Management and Budget				

Affordable Care Act Fees

Affordable Care Act Fees	**$571**	**$186**	**($ 385)**	**(67.4%)**	**D-443**

The FY 2019 Governor's budget recommends a reduction of 67.4 percent, or $385,000 for the Grants-In-Aid cost of the Affordable Care Act (ACA) fees.

Table 24

Affordable Care Act Fees ($ Millions)			
Allocation of Fees by Department	**FY 2018**	**FY 2019**	**FY18–FY 19 $ Change**
Interdepartmental Accounts-DSS	$ 1.316	$ 0.453	$ (0.863)
Interdepartmental Accounts-GIA	**$ 0.571**	**$ 0.186**	**$ (0.385)**
Education-State Aid	$ 0.784	$ 0.278	$ (0.506)
Treasury-State Aid	$ 0.015	$ 0.004	$ (0.011)
Total ACA Fees	$ 2.686	$ 0.921	$ (1.765)
State Costs by ACA Fee			
Total PCORI FEE	$ 2.686	$ 0.921	$ (1.765)
Total ACA Fees	$ 2.686	$ 0.921	$ (1.765)

Please refer to pages 31-32 for a detailed description of Affordable Act fees.

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

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page

Employer Taxes

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page
Total Employer Taxes	**$182,515**	**$186,276**	**$ 3,761**	**2.1%**	

The total above is the sum of employer taxes attributable to employees of State public higher educational institutions. Employer taxes consist of Social Security contributions to the federal government, Temporary Disability contributions to the State Disability Benefits Fund, and Unemployment Insurance, for which the State is self-insured and therefore budgets its share on a pay as you go basis. The components of change are set forth below.

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page
Social Security Tax-State	**$173,579**	**$177,051**	**$ 3,472**	**2.0%**	**D-443**

The FY 2019 Governor's Budget recommends an appropriation of $177.051 million in FY 2019, for Social Security for Grants-In-Aid, approximately 2 percent higher than in FY 2018. According to the Division of Pensions and Benefits, taxable wages are assumed to increase by 2 percent in FY 2019 for employees of State public institutions of higher education. Please refer to page 32 for more details on Social Security Taxes.

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page
Temporary Disability Insurance Liability	**$7,213**	**$7,502**	**$ 289**	**4.0%**	**D-443**

The Division of Pensions and Benefits assumes that the TDI employer rate is expected to remain at 0.5 percent of taxable wages through FY 2019, and taxable wages are assumed to increase by 2 percent. While these assumptions would suggest that FY 2019 TDI appropriations should increase by a lower amount, the recommended appropriation assumes FY 2018 costs that are in excess of the amount budgeted.

Please refer to page 33 for a detailed discussion of Temporary Disability Insurance Liability.

OTHER INTERDEPARTMENTAL ACCOUNTS

Direct State Services

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page
Interest on Short Term Notes	**$6,000** **S $7,244**	**$6,000**	**($7,244)**	**(54.7%)**	**D-444**

The State uses cash flow borrowing, in the form of lines of credit and tax and revenue anticipation notes (TRANS), to meet its cash flow needs in the early part of the fiscal year, when cash spending outpaces cash collection. This situation largely results from the need to expend significant sums on local aid in the first two fiscal quarters of the year, before major tax collections are received in the last two quarters of the year. It is exacerbated by low surpluses as a percentage of total appropriations. Beginning in FY 2018, cash outlays shifted forward in

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

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page

the fiscal year due to making pension contributions quarterly rather than all in June pursuant to P.L.2016, c.83. That shift was offset by improvement in cash reserves.

On August 30, 2017, the State Treasurer adopted a resolution authorizing TRANS for fiscal year 2018. The State Treasurer entered into a Note Purchase Contract with RBC Capital Markets LLC ("RBC Capital") under which RBC Capital agrees to purchase TRANS in one or more series in the maximum amount of $2 billion. The State issued its first Series Fiscal 2018A TRANS to RBC Capital on August 31, 2017 in the amount of $900 million. It issued a second series on February 22, 2018 in the amount of $600 million. The notes and accrued interest are payable June 28, 2018.

The FY 2019 Governor's budget proposes an appropriation of $6 million for Interest on Short Term Notes and indicates that the borrowing costs of the 2017 TRANS (FY 2018 short term borrowing) are estimated to be about $13.244 million, $7.244 million more than the FY 2018 appropriation, necessitating a FY 2018 supplemental appropriation. The OLS notes that cash flow patterns have changed due to tax revisions pursuant to P.L.2016, c.57 and the requirement for quarterly pension payments under P.L.2016, c.83, and will change further in FY 2019 under the budget as proposed. Market conditions will also affect borrowing costs in FY 2019. The Executive's assumptions for cash flow borrowing are not yet known.

Grants –In-Aid

Direct Support Professional Wage Increase	**$20,000**	**$0**	**($20,000)**	**(100.0%)**	**D-445**

$20 million was appropriated in FY 2018 at the Legislature's initiative to provide a wage increase through contract payments by the departments of Human Services, Children and Families, and Labor and Workforce Development to direct support professionals who provide services to children and adults with intellectual and developmental disabilities in New Jersey communities. No funding for this purpose is recommended in the FY 2019 Governor's Budget, therefore this language is deleted.

SALARY INCREASES AND OTHER BENEFITS

Salary Increases – Executive Branch	**$90,192 S $55,000**	**$63,192**	**($82,000)**	**(56.5%)**	**D-445**
Less: Statewide Savings Initiative	**$(50,000)**	**$0**	**$50,000**		**D-446**

Salary increases for existing State positions are budgeted centrally in the Interdepartmental Accounts budget, and then allocated to individual departments/agencies during the fiscal year. In FY 2019, the Governor's Budget (page H-13) projects a State-funded workforce of: Executive Branch, 35,575; Judicial Branch, 7,276; and Legislative Branch, 489. The FY 2019 Governor's

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

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page

budget recommends FY 2019 funding of $63.2 million for Executive Branch compensation increases that accrue in FY 2019, and projects $95.2 million in FY 2018 funding, including supplemental appropriations of $55 million, for compensation increases that accrued in FY 2018 for the portion of the Executive Branch workforce considered "State funded," i.e., not funded by federal or dedicated revenues. This supplemental funding restores and augments a $50 million reduction in FY 2018 funding for statewide savings initiatives, which the Executive chooses to restore from surplus rather than by reallocating other departments' appropriations.

Factors influencing this recommended funding level include cost-of-living adjustments (COLAs) negotiated with some unions representing State employees, bonuses paid according to contractual agreements, and step increments. Recommended funding levels may assume the availability of unexpended prior year balances. In anticipation of contract settlement between the State and the Communications Workers of American (CWA), AFL-CIO the FY 2018 adjusted appropriation included additional funding to support the potential costs of an agreement.

On May 1, 2018 the Communications Workers of American (CWA), AFL-CIO ratified a contract negotiated with the Executive covering 35,000 workers employed by the Executive Branch in the Administrative/Clerical, Professional and Supervisory Bargaining Units. The term of the contract is from July 1, 2015 through June 30, 2019. The contract includes two across the board salary increases of two percent, the first retroactive to August 15, 2017 and the second beginning with the first pay period in July 2018. In addition, the contract includes back pay for all step increments that were denied since the expiration of the last contract.

On May 3, 2018, the Governor's press release announced the total State cost of the contract with the CWA. According to the press release the total projected State cost of the contract is approximately $148.9 million. Of this amount, $100.1 million is budgeted in FY 2018: $78 million is related to the suspension of the step increments and the clothing allowance back to FY 2016, and $22.1 million is related to the two percent retroactive across the board increase. The additional two percent across the board increase of $48.8 million is assumed in the FY 2019 recommended appropriation. Please see Table 25 below.

Table 25

CWA Contract: Costs of Significant Provisions			
Contract Provision	**FY 2018**	**FY 2019**	**Total**
Retroactive Step Increments	$78.0 million	$0	$78.0 million
Across the Board Increase of Two Percent	$22.1 million	$48.8 million	$70.9 million
Total	$100.1 million	$48.8 million	$148.9 million
Source: CWA Press Release May 1, 2018, Governor Press Release May 3, 2018.			

Significant Language Changes

Receipts for Leasing of State Surplus Real Property	
Addition	2018 Handbook: p. -- 2019 Budget: p. D-437

Receipts from the leasing of State surplus real property are appropriated for the maintenance of State surplus real property, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

This language provision appropriates revenues from leasing surplus State-owned real property for the costs of maintaining that property. The budget anticipates $3.47 million revenue from rent of State building space as general State revenue. This provision applies to other real property, declared as surplus and not needed for State use. There is no increase in projected revenue associated with this language provision, but should the State newly rent surplus property, or should more property be declared surplus and rented during the fiscal year, any resulting rental revenue increase would be earmarked for property maintenance costs. Other budget language appropriates up to $2.5 million for maintenance and other costs incurred at State-owned buildings that have been closed, some of which have been declared surplus. Rental revenue would provide an alternative or additional source of funding for necessary maintenance costs.

Tort Claims Liability Fund-Additional Uses	
Revision	2018 Handbook: p. B-202 2019 Budget: p. D-438

The amount appropriated to the Tort Claims Liability Fund is available for the payment of claims of a tortious nature, for the indemnification of pool attorneys engaged by the Public Defender for the defense of indigents, for the indemnification of designated pathologists engaged by the State Medical Examiner, and for direct costs of legal, administrative and medical services related to the investigation, mitigation and litigation of tort claims under N.J.S.59:12-1, 59:12-1, for the refunding of fees, court costs and restitution paid by persons charged with, adjudicated delinquent, or convicted of various crimes or offenses whose charges or convictions are later dismissed for various reasons, including on the basis of evidence found to not have been appropriately collected, tested or analyzed and for the direct costs of administering such refunds, all as recommended by the Attorney General and as the Director of the Division of Budget and Accounting shall determine.

EXPLANATION: FY 2018 language not recommended for FY 2019 denoted by strikethrough.
Recommended FY 2019 language that did not appear in FY 2018 denoted by underlining.

Significant Language Changes (Cont'd)

Explanation

This language provision would authorize the Attorney General to recommend and the Director of the Division of Budget and Accounting to determine the refund of fees, court costs, and restitution paid by persons charged with crimes whose charges or convictions are later dismissed. The language also authorizes the Attorney General to recommend and the Director of the Division of Budget and Accounting to determine the direct costs of administering such refunds.

The revisions to this language provide flexibility to appropriate Tort Clams Liability Fund resources to address the potential impact of legal action against the State involving mishandling of evidence in drug cases by a technician at the State Police laboratory in Little Falls, and improper calibration of Alcotest breathalyzer devices by a State Police sergeant. No estimate is available of the additional costs to the Tort Claims Liability Fund that could result from this revised language and the circumstances motivating the revisions.

State Utility Costs From Clean Energy Fund

Revision	2018 Handbook: p. B-203 2019 Budget: p. D-438

Notwithstanding the provisions of any law or regulation to the contrary, in addition to the amount hereinabove appropriated for Fuel and Utilities, there is appropriated $~~52~~47,500,000 from the Clean Energy Fund for utility costs in State facilities.

Explanation

As revised, this language reduces by $5,000,000 the amount of money appropriated for Fuel and Utilities from the Clean Energy Fund. The reduced appropriation from the Clean Energy Fund increases General Fund appropriations for fuel and utility costs by $5,000,000. A new language provision appropriates$5 million from the Clean Energy Fund to the General Fund as State revenue to provide the cost of energy efficiency projects in State facilities.

EXPLANATION: FY 2017 language not recommended for FY 2018 denoted by strikethrough.
Recommended FY 2018 language that did not appear in FY 2017 denoted by underlining.

Significant Language Changes (Cont'd)

New Jersey Performing Arts Center, EDA Account

Deletion

2018 Handbook: p. B-210
2019 Budget: p. ---

~~The amount hereinabove appropriated for the New Jersey Performing Arts Center, EDA account shall be used to pay the State's obligations pursuant to a lease with the New Jersey Economic Development Authority, for the lease of real property and infrastructure improvements and the New Jersey Performing Arts Center structure constructed thereon purchased by the Authority for the State in the City of Newark, for the purpose of constructing buildings to comprise a Performing Arts Center. Notwithstanding the provisions of any law or regulation to the contrary, the State Treasurer may enter into a lease with the New Jersey Economic Development Authority to lease the real property and improvements thereon purchased or caused to be constructed by the Authority for the State in the City of Newark for the New Jersey Performing Arts Center, subject to the prior written consent of the Director of the Division of Budget and Accounting, the President of the Senate and the Speaker of the General Assembly. Upon the final payment of the State's obligations pursuant to the lease for the real property and infrastructure improvements purchased by the Authority, the title to the real property and improvements shall revert to the State. The State may sublease the land and facilities for the purpose of operating, maintaining, or financing a Performing Arts Center in Newark. Any sublease for use of land and improvements acquired for the State by the New Jersey Economic Development Authority for the New Jersey Performing Arts Center shall be subject to the prior written approval of the Director of the Division of Budget and Accounting and the Joint Budget Oversight Committee, or its successor. There are appropriated such additional amounts as may be necessary to pay debt service for the New Jersey Performing Arts Center.~~

Explanation

The Economic Development Authority issued bonds for the purpose of constructing the New Jersey Performing Arts Center in Newark. The original bonds were issued in 1996 with a par amount of $62.91 million. The bonds were refunded in FY 2010 with a final maturity date of June 15, 2016. All outstanding debt has been retired on the bonds. State appropriations for the New Jersey Performing Arts Center were used to pay the State's debt service obligations pursuant to a lease with the New Jersey Economic Development Authority for real property, infrastructure, and the Performing Arts Center Building. No additional funding for debt service is required in FY 2019, obviating the need to continue this language.

EXPLANATION: FY 2017 language not recommended for FY 2018 denoted by strikethrough.
Recommended FY 2018 language that did not appear in FY 2017 denoted by underlining.

Significant Language Changes (Cont'd)

Direct Support Professionals Wage Increase

Deletion	2018 Handbook: p. B-207 2019 Budget: p. –

~~The amount hereinabove appropriated for Direct Support Professionals Wage Increase shall be used to provide a wage increase to each direct support professional who provides children's behavioral health services and assists children and adults with intellectual and developmental disabilities under provider contracts with the Department of Children and Families, the Division of Developmental Disabilities in the Department of Human Services, and the Division of Vocational Rehabilitation Services in the Department of Labor and Workforce Development. Contract adjustments to all eligible providers shall ensure that each direct support professional receives the same percentage wage increase. No later than October 1, 2017, the Joint Budget Oversight Committee will direct the dollar amount of the upward contract adjustment to be received in FY2018; and will ensure that the contract adjustment will be used to provide increased payments to direct support professionals.~~

Explanation

$20 million was appropriated in FY 2018 at the Legislature's initiative to provide a wage increase through the Departments of Human Services, Children and Families, and Labor and Workforce Development to support Direct Support Professionals who provide hands-on assistance to people with intellectual and developmental disabilities in New Jersey communities. No funding is recommended in the FY 2019 Governor's Budget, obviating the need for the continuation of this budget language.

Clean Energy Fund-Transfer to General Fund for Energy Efficiency Projects

Addition	2018 Handbook: p. – 2019 Budget: p. F-11

97. Notwithstanding the provisions of any law or regulation to the contrary, there is appropriated from the Clean Energy Fund $5,000,000 for transfer to the General Fund as State revenue to provide for the cost of energy efficiency projects in State facilities.

Explanation

This new language provision appropriates $5 million from the Clean Energy Fund to the General Fund as State revenue to provide the cost of energy efficiency projects in State facilities. The $5 million is appropriated in the Interdepartmental Accounts section of the budget. According to the FY 2019 Budget in Brief, this appropriation will fund the Energy Savings Initiative Program (ESIP), which will drive important energy efficiency projects in State government.

EXPLANATION: FY 2017 language not recommended for FY 2018 denoted by strikethrough.
Recommended FY 2018 language that did not appear in FY 2017 denoted by underlining.

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Individuals wishing information and committee schedules on the FY 2019 budget are encouraged to contact:

Legislative Budget and Finance Office
State House Annex
Room 140 PO Box 068
Trenton, NJ 08625
(609) 847-3105 • Fax (609) 777-2442