April 9, 2014

David J. Rosen, Ph.D.
Legislative Budget and Finance Officer
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State House Annex
P.O. Box 068
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Dear Dr. Rosen:

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

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

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

Sincerely,

Andrew Sidamon-Eristoff
State Treasurer