State of New Jersey
Office of the State Treasurer
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Chris Christie
Governor

Kim Guadagno
Lt. Governor

Ford M. Scudder
State Treasurer

April 27, 2017

Mr. Frank Haines
Legislative Budget and Finance Officer
Office of Legislative Services
State House Annex, P.O. Box 068
Trenton, New Jersey 08625-0068

Dear Mr. Haines:

Pursuant to your letter dated April 6, 2017, it was requested that I provide a written response to the questions posed by Chairman Schaer, Assemblyman Burzichelli, Assemblyman Wimberly, and Assemblyman Singleton following the April 5, 2017 hearing of the Assembly Budget Committee. The questions and their subsequent answers are as follows:

Where can the management, legal and other consulting fees associated with the Atlantic City takeover be found in the Governor's FY 2018 Budget Detail? How much does the State expect to spend on management, legal and other consulting fees associated with the AC takeover for FY 17 and FY 18? What is the ceiling for the contract with Mr. Chiesa's law firm and for other contracts?

Fees associated with outside counsel are typically paid from the budget of the Department of Law and Public Safety.

The Governor's FY 2012 Budget Summary stated that Governor Christie had to address an immediate $10.7 billion structural deficit in FY 2011. Please detail the spending and revenue items by which the deficit was determined.

The $10.7 billion gap referred to by the Governor included unsustainable legislated spending as well as one-time revenue and temporary tax increases that expired after the 2009 election but before his taking office. As noted by Governor Christie, also in the FY 2012 Budget Summary, the FY 2011 gap was the "culmination of years of shortsighted policies and poor budgeting practices that ignored economic realities, failed to plan for eroding recurring revenue sources and consistently relied on one-time revenues sources." Past Governors and legislatures enacted programs and authorized spending without ever looking at the revenue side of the ledger except when determining which tax to increase and by how much.

A mid-year $2.2 billion budget deficit that greeted Governor Christie when he took office as well as simultaneously having to make decisions for the FY 2011 budget, required the Governor to address budgeting in a different way. Beginning with FY 2011, the budget process starts with setting priorities. Programs no longer are allowed to grow year-over-year without restraint. Spending, no matter how worthy, only happens when it fits within existing resources. Raising revenue to support unrestrained growth is not an option. A new normal in budgeting has been established.

The FY 2018 budget proposed by Governor Christie is the result of what can happen when fiscal policy looks at both sides of the ledger – non-recurring revenues are reduced from 13.2% to 2.0%; tax reductions are provided to an over-taxed population; executive operations are reduced to just 10% of the budget; and the largest pension payment in state history at $2.5 billion can be accommodated. Further detail regarding the $10.7 billion fiscal year 2011 gap mentioned in the FY 2012 Budget Summary can be found on page 64 of the FY 2011 Budget Summary[1] and beginning on page 18 of the FY 2012 Budget Summary.[2]

From whom can we obtain information in greater detail regarding the Governor's Horizon Blue Cross Blue Shield proposal?

Further inquiries should be directed to the Governor's Office.

Have debt refinancing savings been realized in the current fiscal year, and are any contemplated in this year's budget proposal, and if so, how are the savings allocated? North Carolina State Treasurer Dale Folwell is making a push to use similar savings to pay down pension and retiree health-care debt, with 15% allocated into the pension fund and 85 % allocated to retiree health-care debt. In the current low interest rate environment why would we not take advantage of this ability to achieve debt service savings? Do you agree that it is good fiscal policy to put found money into a one-time use, rather than into recurring expenses like the current year's budget?

Examining outstanding debt for the ability to achieve savings has been and remains a priority of the Christie Administration. Similarly, the ability to eliminate risky debt by reducing derivative and letter of credit exposure continues to be an important consideration when deciding whether to refund debt. Throughout this Administration, Treasury has followed a three-prong test for any refunding's: nominal debt service savings; present value savings; and no extension of maturities. This is a more conservative approach than followed under previous Administrations and has dramatically helped improve the State's debt profile.

Debt savings are used to reduce debt service payments, support increased debt or achieve budget savings in order to fund other priorities. The fiscal 2017 budget takes advantage of $120 million of debt service savings. Additional savings from the refunding's continue in fiscal 2018 and are reflected in the recommendation.

In the Transfer Act that Governor Christie signed in December 2010, the law suggests that any sale of assets, which would include proceeds from the spectrum sale, would be deposited in a fund called the Trust Fund for the Support of Public Broadcasting. Do you need a change in law to use the money for non-public broadcasting purposes?

The fiscal 2018 budget will provide the necessary authority.

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[1] http://www.nj.gov/treasury/omb/publications/11bib/BIB.pdf
[2] http://www.nj.gov/treasury/omb/publications/12bib/BIB.pdf

In the Governor's February Budget Address to the Legislature, Governor Christie said that he is seeking improved transparency and patient protections as the means for legislative action on out-of-network health care reform. What study or research can the administration offer that shows that approach alone has quantifiable financial savings.

Greater cost transparency will tend to move consumption toward less expensive providers when quality is otherwise equal. In addition, it is anticipated that out-of-network reform will be accompanied by the implementation of changes to out-of-network reimbursements.

Sincerely,

Ford M. Scudder
State Treasurer