



Rebuilding NJ's Economy



FY2010 BUDGET SOLUTIONS AS A FOUNDATION FOR REFORM

FOR IMMEDIATE RELEASE

Thursday, February 11, 2010

Contact: Michael Drewniak
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Trenton, NJ – Governor Chris Christie today announced \$2.203 billion in budget solutions to balance New Jersey's current-year budget through a combination of savings from over funded programs, targeting of waste, and the capture of unexpended balances from accounts in every corner of state government.

"These are among the hardest decisions any governor could be called upon to make," said Governor Christie. "But this process is also an extraordinary opportunity – a generational moment – where we confront the consequences of past failures while providing the solutions and permanent reforms we need to lead us to stability and better, more prosperous times."

The Governor advanced his budget solutions during a special Joint Session of the Legislature, where he advised the members that he had signed an Executive Order before the speech and declared a "state of fiscal emergency" in recognition of the state's looming deficit for the balance of Fiscal 2010. The Executive Order includes the authority of the Director of the Division of Budget and Accounting to reserve or freeze funds at the Governor's direction.

The budget solutions were derived from four general areas: targeting savings or areas of overfunding in programs and departments, targeting waste and ineffective programs, identifying areas for long-term reform and, above all, making hard choices in the form of program cuts, the use of unspent balances or withholding of aid. In all, 375 line items of cuts, efficiencies and program eliminations are found in the Governor's plan.

Aid to local school districts and higher education institutions is being reduced, requiring them to use surpluses to fund operations for the balance of the school year. The school aid reductions do not impact any approved school budget funding. Other hard choices include eliminating programs across virtually all departments, including some very good but non-essential programs that simply cannot be afforded at this critical time in New Jersey's history.

The cumulative impact of years of short-sighted budgeting and the failure to control spending or enact pension and benefits reforms left the new Administration with no alternative. While the Administration will be forced to forgo \$100 million in funding for public employee pensions, it proposes to move ahead with substantial pension reforms that will help reduce under funded pension obligations.

At the end of January, seven months into the fiscal year, the state government had \$14 billion of unspent money remaining for Fiscal 2010. Of that amount, \$8 billion was dedicated to such things as state employee contracts, maintenance of funds to keep federal funding, debt service and constitutional mandates. Consequently, the new Administration – to balance the budget, as required by the state Constitution – was forced to find more than \$2 billion in savings out of the remaining \$6 billion.

For Fiscal Year 2011, the state will have to resolve a more than \$11 billion gap at the outset – the largest shortfall per taxpayer of any state in the country by far.

Among some of the largest impacts from the budget solutions:

- Withholding \$475 million in local school aid for the balance of the fiscal year, with the amount of individual aid reductions tied to surpluses in the school districts. The withheld aid will not result in any reduction in approved school spending this year.
- A \$62.1 million reduction in aid to county and senior public colleges and universities, also tied to existing surpluses.
- A \$12.6 million reduction in hospital Charity Care, representing a 4.2 percent reduction.
- Capture of \$158 million in unexpended balances from the Board of Public Utilities-administered Clean Energy Fund.
- Capture of \$13.8 million in surplus balance from the Homestead Rebate program.
- Take a balance of \$15.9 million in unused grant money remaining due to reduced service requirements in the Division of Youth and Family Services.

Delayed programs and capital projects total more than \$115 million. There was no reduction in municipal aid.

Other programs that sounded good in theory but failed in practice are being scrapped and their balances used in the budget solutions. InvestNJ was designed to spur job growth by giving out tens of millions of dollars to businesses at a rate of \$3,000 per new hire. However, it experienced only limited success. Consequently, \$57.9 million in InvestNJ funds will be used in the budget solutions.

Funding for the Office of the Public Advocate is being discontinued, and its present balance of approximately \$600,000 will be used in the budget solutions. Necessary functions of the Public Advocate will be consolidated into other parts of state government.

Where possible, the Administration focused first on programs where there would not be any negative effect on programs. That analysis resulted in \$454 million in savings or areas of over funding.

The targeting of waste and abuse resulted in approximately \$70 million in savings. This is just the beginning – a down payment – on the Administration's plan to go deeper in finding wasteful spending in the new fiscal year.

“As difficult as this is, with all the individuals and government operations that are effected, we must view this in a positive way,” said Governor Christie. “All of it, the cuts, the savings, the use of unexpended balances and surpluses, amount to a down payment on a stable future for our children and their children. We just could not delay any longer without pushing our problems onto another generation.”

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New Jersey's Fiscal and Economic Picture

Our state is facing a serious fiscal and economic situation that will only be solved through hard, difficult choices. After years of mismanagement, overspending and job killing policies, we are not only facing a nearly \$10 billion deficit for the FY2011 budget, we are forced to deal with a current year budget gap of over \$2 billion. As if this year's current deficit isn't unexpected and shocking, next year's budget gap is an extraordinary sum considering the state budget is approximately \$29 billion. State spending has grown much faster than inflation, with baseline spending to grow from \$29 billion in the current fiscal year to \$33.8 billion in the next one. An increase of 17% is shocking considering the economy has been stagnant and the state has barely been able to make payroll. Facing less and less revenue each year, we simply can no longer sustain government's current rate of spending.

The State of New Jersey can no longer afford to spend uncontrollably, without paying any attention to the cost, efficiency and effectiveness of the programs we are funding. Government is no longer doing its job well, because it's no longer expected to.

As a result, the State is fully paying for a broken pension system, the Transportation Trust Fund will be broke in less than 18 months, and the Unemployment Insurance Fund will be \$1.6 billion in the red by March. The Christie Administration FY2010 Budget Solutions is where the real, hard work begins. It is a foundation for future reform that is critical if New Jersey is ever going to get its spending under control, provide effective services and rebuild the economy.

The actions about to be taken to help solve the FY2010 budget gap is not something anyone wants to do. But the reality is that it is necessary.

How We Got Here: Making Hard Choices in FY2010

The Christie Administration has identified \$2.2 billion in budget solutions for FY2010. In order to try and close this year's budget gap, the team took the time to carefully identify programs and areas where real savings could be found with minimal impact. The approach was four pronged in nature and was forced to focus on areas where dollars had not already gone out the door. Once the full impact of this year's budget gap was realized and the new administration was in place, the current fiscal year was already 7 months along with \$14 billion dollars already spent. However, while the administration worked hard to trim excess and find opportunity for reform, the unfortunate reality is that some programs will be affected because there is no other choice.

FY2010 BUDGET SOLUTIONS WERE DERIVED LARGELY BY FOCUSING ON THE FOLLOWING:

1. Targeting Savings or Areas of Overfunding. Efforts were first made to identify savings or areas where there was clearly overfunding within programs. An example, a review of Homestead Rebate applications indicated there were millions more appropriated than was actually needed. Where possible, the Administration first focused on these types of programs where there wouldn't be any negative effect on the programs. The Christie Administration found \$454,882,000 in savings or areas of overfunding.

2. Eliminating Waste and Abuse. The budget was reviewed to find programs where obvious waste and abuse was taking place. This is just the beginning of an across the board approach that will be implemented for FY2011. There is too much waste and abuse that only keeps inefficient and ineffective programs afloat, ultimately failing to properly serve the New Jersey constituency intended. The Christie Administration found \$69,574,000 in programs where waste and abuse was occurring.

3. Making Tough Choices. There are a number of good programs affected by the FY2010 budget solutions offered. While many of these programs are important and well-meaning, in the current fiscal and economic climate, a number of tough choices were made. The reality is that New Jersey can't afford the current spending patterns. Instead, by making hard choices now, prioritize our spending and getting our fiscal house in order so these types of priority programs can be funded in the future. The Christie Administration found \$1,274,324,000 in these areas.

4. Identifying Areas for Long Term Reform. Identifying and implementing this year's budget solutions provides opportunity for much-needed long term reform. The FY2011 budget will require even harder choices than were made for FY2010, so it should come as no surprise that the only way to rebuild New Jersey's economy is to make fundamental changes to the way government operates. There are priority programs the State needs to provide the people of New Jersey, but too often fail to deliver. The FY2010 budget is the first step towards reforming critical programs that for too long have provided needed services in name only. This was clearly evident in the InvestNJ program, which in theory should provide incentive to New Jersey businesses to create jobs, but in reality funnels money to large corporation and lobbying firms. There is no doubt New Jersey's business environment repels jobs instead of creating them, which is why the state needs a targeted, effective approach to job creation. The Christie Administration found \$115,061,000 in areas of programmatic reform.

FY 2010 Budget by the Numbers

Department	Savings
Agriculture	\$(105)
Chief Executive	\$(20)
Children & Families	\$(77,769)
Community Affairs	\$(179,088)
Corrections	\$(54,202)
Education	\$(560,563)
Environmental Protection	\$(9,283)
Health & Senior Services	\$(124,415)
Human Services	\$(71,145)
Inter-departmental	\$(251,662)
Labor & Workforce	\$(5,941)
Judiciary	\$(7,000)
Law & Public Safety	\$(25,447)
Legislature	\$(225)
Other Revenue	\$(175,000)
Public Advocate	\$(819)
State	\$(68,203)
Transportation	\$(48,570)
Treasury	\$(543,373)
Total	\$(2,202,830)

Note: amounts in thousands



EMBARGOED UNTIL DELIVERY

As Prepared for Delivery

Remarks of Governor Chris Christie to the Special session of the New Jersey Legislature Regarding the Budget for Fiscal Year 2010

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Contact: Michael Drewniak

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Mr. President, Madame Speaker, members of the Senate and Assembly, fellow citizens of New Jersey.

Twenty three days ago, I was honored to take the oath of office as your governor and promised you and the people of New Jersey a new direction.

The old ways of doing business have not served the people well, I said, and I asked for your help in bringing about change.

Today, I have called you together because it is time to take the first major – and urgent -- step in delivering the change we promised, in the critically important area of the state budget.

New Jersey is in a state of financial crisis. Our state's budget has been left in a shambles and requires immediate action to achieve balance. For the current fiscal year 2010, which has only four and one-half months left to go, the budget we have inherited has a two billion dollar gap. The budget passed less than eight months ago, in June of last year, contained all of the same worn out tricks of the trade that have become common place in Trenton, that have driven our citizens to anger and frustration and our wonderful state to the edge of bankruptcy.

What do I mean exactly? This year's budget projected 5.1 % growth in sales tax revenue and flat growth in corporate business tax revenues. In June of 2009, was there anyone in New Jersey, other than in the department of treasury, who actually believed any revenues would grow in 2009-2010? With spiraling unemployment heading over 10%, with a financial system in crisis and with consumers petrified to spend, only Trenton treasury officials could certify that kind of growth. In fact, sales tax revenue is not up 5%, it is down 5.5 %; and corporate business tax revenue is not flat, it is down 8%. Any wonder why we are in such big trouble? Any question why the people don't trust their government anymore and demanded change in November? Today, we must make a pact with each other to end this reckless conduct with the people's government. Today, we come to terms with the fact that we cannot spend money on everything we want. Today, the days of Alice in Wonderland budgeting in Trenton end.

The facts are that revenues are coming in \$1.2 billion below what was projected last year, and over \$800 million in additional spending was done by the previous administration on their way out the door.

Our Constitution requires a balanced budget. Our commitment requires us to begin the next fiscal year with a prudent opening balance. Our conscience and common sense require us to fix the problem in a way that does not raise taxes on the most overtaxed citizens in America. Our love for our children requires that we do not shove today's problems under the rug only to be discovered again tomorrow. Our sense of decency must require that we stop using tricks that will make next year's budget problem even worse.

So today, I am beginning the process of fiscal reform and discipline. Today, we are going to act swiftly to fix problems long ignored. Today, I begin to do what I promised the people of New Jersey I would do. Today, I begin to give them the change they voted for in November.

I take no joy in having to make these decisions. I know these judgments will affect fellow New Jerseyans and will hurt. This is not a happy moment. However, what choices do we have left? The defenders of the status quo will start chattering as soon as I leave this chamber. They'll say the problems are not that bad; listen to me, I can spare you the pain and sacrifice. We know this is simply not true. New Jersey has been steaming toward financial disaster for years due to that kind of attitude. The people elected us to end the talk and to act decisively. Today is the day for the complaining to end and for statesmanship to begin.

Today, I am taking action to cut state spending to balance the budget this year.

This is the immediate action I am taking:

This morning, I signed an executive order freezing the necessary state spending to balance our budget.

We will freeze the spending of unspent technical balances across a wide array of state programs. This includes everything from unspent funds to upgrade energy systems in state facilities to those aimed at assisting local governments in their consolidation plans.

Not everything is painless. Some projects will be delayed or terminated, some services will be reduced. But in total, we can reduce spending by over \$550 million this year by lapsing these unspent balances – by not spending these funds and applying them now towards our multi-billion dollar budget gap.

For example, our state's special municipal aid program includes a balance of \$3.2 million, mostly for overhead costs. This spending is not appropriate, not necessary and will not be done.

The "InvestNJ" program has a large unspent balance and a failed record in actually creating new jobs. We can save taxpayers \$50 million by terminating this program now. Instead, I believe we should create, without significant public expense, a one stop shop to clear away obstacles and speed the path to job creation – the New Jersey partnership for action.

I will also take action to terminate or suspend programs to save another \$70 million this year.

Some projects we can afford to delay until the state has the resources to pay for them. This list would include capital improvements to state buildings, correctional facilities, and state parks.

It includes items like the main street program which has both current and long term funds which have not been spent yet and will not realistically be spent this year. These funds should be returned to the general fund to help balance the budget.

In total, deferral of these long term projects and items to a less rainy day in New Jersey can reduce spending by \$90 million in this fiscal year.

We can improve certain practices in the ways we use and collect revenues.

Two examples: we can accelerate our dispute resolution processes on taxation settlements and save \$20 million.

And we can appropriately ask the urban enterprise zones to repay the general fund for its subsidy of the required contribution of these zones to property tax relief in years past.

By far the biggest category of spending we will need to cut, however, is that for programs which actually have merit, and in most cases make sense, but which we simply cannot afford at this time. Like any family, and like forty two other states with constitutionally required balanced budgets, we must live within our means. New Jersey does not have a revenue problem—we already have higher taxes than any other state in the union. We have gone down the road of ever higher taxes to pay for Trenton's addiction to spending. What has it given us? 10.1 percent unemployment, a dormant economy and a failure of hope for growth in our future. Higher taxes is the road to ruin. We must, and we will, shrink our government.

That means making some tough choices. It means tightening our belts. It means making do with the resources we have. And it means charting the course to reform now so that our spending will be more effective in the future.

So today I am implementing over a billion dollars in reductions and reforms to programs that we simply cannot afford in the current economic environment and in our current fiscal state.

For example, the state cannot continue to subsidize New Jersey transit to the extent it does. So I am cutting that subsidy. New Jersey transit will have to improve the efficiency of its operations, revisit its rich union contracts, end the patronage hiring that has typified its past, and may also have to consider service reductions or fare increases. But the system needs to be made more efficient and effective.

The state cannot this year spend another \$100 million contributing to a pension system that is desperately in need of reform. I am encouraged by the bi-partisan bills filed in the Senate this week to begin pension and benefit reform. I commend President Sweeney and Senator Kean for leading the way to begin this long overdue set of reforms. I am sure our Assembly colleagues will follow suit with the same kind of bi-partisan effort.

These bills must just mark the beginning, not the end, of our conversation and actions on pension and benefit reform. Because make no mistake about it, pensions and benefits are the major driver of our spending increases at all levels of government—state, county, municipal and school board. Also, don't believe our citizens don't know it and demand, finally, from their government real action and meaningful reform. The special interests have already begun to scream their favorite word, which, coincidentally, is my nine year old son's favorite word when we are making him do something he knows is right but does not want to do—"unfair."

Let's tell our citizens the truth—today—right now—about what failing to do strong reforms costs them.

One state retiree, 49 years old, paid, over the course of his entire career, a total of \$124,000 towards his retirement pension and health benefits. What will we pay him? \$3.3 million in pension payments over his life and nearly \$500,000 for health care benefits -- a total of \$3.8m on a \$120,000 investment. Is that fair?

A retired teacher paid \$62,000 towards her pension and nothing, yes nothing, for full family medical, dental and vision coverage over her entire career. What will we pay her? \$1.4 million in pension benefits and another \$215,000 in health care benefit premiums over her lifetime. Is it "fair" for all of us and our children to have to pay for this excess?

The total unfunded pension and medical benefit costs are \$90 billion. We would have to pay \$7 billion per year to make them current. We don't have that money—you know it and I know it. What has been done to our citizens by offering a pension system we cannot afford and health benefits that are 41% more expensive than the average fortune 500 company's costs is the truly unfair part of this equation.

The only principled path in light of these mountainous challenges is this—take these reform bills, make them even stronger and put them on my desk before I return here on march sixteenth for my budget address. And on this you have my pledge—unlike in the past, when you stood up and did what was right, this governor will not pull the rug out from underneath you—I will sign strong reform bills.

But until that reform is enacted, we cannot in good conscience fund a system that is out of control, bankrupting our state and its people, and making promises it cannot meet in the long term.

The biggest category of reductions will likely be the most controversial.

School aid is a large proportion of New Jersey's budget – especially of the amount which has not yet been spent in FY 2010. So we cannot put our budget in balance without putting some school aid in reserve.

We are not alone in this; other states have been required to do the same.

The previous administration severely underestimated our budget gap, and it proposed to reserve some \$230 million in school aid – yet it did not offer a legislative solution to achieve this number, and once again, left important business unfinished.

I am implementing a solution which insures that every school district has the resources to provide a thorough and efficient education to its students.

Our solution does not take one penny from an approved school instructional budget. Not one dime out of the classroom. Not one text book left unbought. Not one teacher laid off. Not one child's education compromised for one minute. Not one dollar of new property taxes will be needed. The union protectors of the status quo will claim otherwise—once again, they will be proven to be self-interested and wrong.

Many school districts in New Jersey have surpluses that were not a part of their fiscal year 2010 budgets. This is because they were either not anticipated – so called excess surpluses – or were placed in a reserve account – so called reserve surpluses.

I am reducing school aid in a way that ensures that no district will have aid withheld in an amount that is greater than its surpluses.

To some, an across the board reduction of a fixed percentage of school aid may seem more fair. But because some districts rely so heavily on state aid, this may affect their ability to provide the required thorough and efficient education to their students. And this approach would likely throw some districts into a deficit situation. We have not reduced school aid with an axe—we have done it with a scalpel and with great care.

The total amount of aid to be withheld is \$475 million. I know this solution will not be popular. More than 500 school districts will be affected, and more than 100 districts will lose all state aid for the remainder of the year.

But action is required. It is late in the fiscal year. The irresponsible budgeting of the past, coupled with failed tax policies which lie like a heavy, wet blanket suffocating tax revenues and job growth, have required these extraordinary steps. Despite this bold action, remember, we have not taken one dime from classroom instruction, not forced one penny of increase in our property taxes.

Let me repeat. Every dollar in every school budget approved in every school district across the state remains intact.

Suburban districts will sacrifice. Urban districts will sacrifice. Rural districts will sacrifice. Some, both inside and outside this chamber, will urge you to retreat to the corner and protect your own piece of turf. Our state is in crisis. Our people are hurting. Now is the time when we all must resist the traditional, selfish call to protect your own turf at the cost of our state. It is time to leave the corner, join the sacrifice, come to the center of the room and be part of the solution. I urge all of us to

come to the center of the room voluntarily, to stand up to the special interests, to fix our broken state – together. For those who continue to defend the old ways of selfishly protecting turf, who stay in the corner defending parochial interests, please be on notice – people of good will who want a better, stronger New Jersey will band together to come into those corners and drag you to the center of the room to make our state the place we know it can be.

In total, I am cutting spending in 375 different state programs, from every corner of state government.

I doubt that many will be popular. I will use my executive authority to implement them now, because I must.

Taken as a package, they will achieve the required savings and eliminate our \$2 billion budget gap.

I am not happy, but I am not afraid to make these decisions, either. It is what the people sent me here to do.

I ask of you in the legislature to show the same frankness and commitment. For inaction is not an option. That was the path taken for far too long.

The cuts I have outlined may sound dramatic. And they are. Some sound painful. And they will be.

But let me give you some context. As of the first of this month, about half of the budget was already spent. The state at January 31 had about \$14 billion of unspent monies for the current fiscal year. Of that amount, \$8 billion cannot be touched – by contract, as in the case of state employees or maintenance of effort for federal stimulus money; by constitutional requirement; by the terms of our bonds; or by law.

So upon arrival, my administration had \$6 billion of balances to work with -- \$6 billion of balances from which to find \$2 billion of savings. We had to cut 1/3 of our available funds with only 4 ½ months to go in the fiscal year.

We all were taught when we were young that it is not always easy to do the right thing.

We chose not to use gimmicks or band aids to hide the budget gap or defer it until next year, when it would be even worse. We refused to repeat the failures of the past.

We chose to confront the problem head on by reforming our spending habits, and laying the groundwork for reform so that we can repair a structural deficit that will be even larger – many times larger – in the next fiscal year, 2011.

So the cuts I am making today are not easy -- but they are necessary.

And make no mistake: our priorities are to reduce and reform New Jersey's habit of excessive government spending, to reduce taxes, to encourage job creation, to shrink our bloated government, and to fund our responsibilities on a pay-as-you-go basis and not leave them for future generations. In short, to make new jersey a home for growth instead of a fiscal basket case.

We have set out in a new direction – a direction dictated by the votes of the people of New Jersey – and I do not intend to turn back. I will not break faith with them or the mandate they have given me.

A great president, Ronald Reagan, once said that: “a leader, once convinced a particular course of action is the right one, must have the determination to stick with it and be undaunted when the going gets tough.”

In just over a month, I will come before you to lay out my plan for fiscal year 2011 and beyond. The challenge next year will be even greater. The cuts likely will be even deeper. The reforms will, of necessity, be even more dramatic.

But let us not make that problem even worse.

Let us begin the process of reform today.

Let us listen to the will of the people and proceed in a new, more responsible direction.

Let us live within the means the people are already providing us and not take more of their hard-earned wages and savings from their pockets.

Let us have the *courage* to make change; the *fortitude* to see it through; and the *vision* not only to craft a more sound and sustainable budget, but to build a better state that can grow once again.

Thank you very much. God bless America and may God continue to bless the great state of New Jersey.

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FY2010 BUDGET SOLUTIONS: FOUNDATION FOR LONG TERM REFORM

I understand the task before me and I am well aware of your expectations for me and this government. You voted loudly and clearly for change and you have entrusted us with what may be our last, best hope for a stronger New Jersey—the New Jersey of our youth, full of hope and opportunity. New Jersey, you voted for change and today change has arrived—right here, right now.

- **Governor Chris Christie**

The FY2010 Budget Solutions provide a first glimpse at how the Christie Administration will pursue comprehensive reform across state government. Several key budget solutions presented are opportunities for long-term reform so that New Jersey state government provides effective and efficient services. Now is the time to evaluate these programs based on whether they are performing at their maximum potential and whether they are a vital and necessary function of state government.

- 1. Pension and Benefits Reform Initiative.** We will eventually put more money toward our pension system, but we insist on making the system more reasonable free of abuse. It is irresponsible to continue fully funding the pension system when New Jersey simply cannot make ends meet. New Jersey taxpayers believe that it is time state government employees in the pension system share the same kind of retirement responsibilities everyone else does.
- 2. Targeted and Effective School Aid.** New Jersey spends a great deal of money on education, yet has struggled to show meaningful results for the dollars being spent. The Christie administration is committed to helping school districts find critical savings, such as health benefits reform. Schools need to partner with the new administration to provide quality services with less waste. While FY2010 budget solutions was aimed at identifying schools that have surpluses, next year's budget is going to require even more hard choices.
- 3. Self-Sufficient NJ Transit.** An efficient and effective public transportation system is critical for the economic vitality of New Jersey. However, NJ Transit needs to undergo a serious review of its services, which underperform considering New Jersey taxpayers currently subsidize fares. NJ Transit needs to provide public transportation services that is cost effective and worth the fare price each commuter pays.
- 4. Realistic Job Creation Incentives.** Reducing a program like InvestNJ will only allow the Christie administration to focus on realistic, meaningful job creation programs. The Christie administration has called for creating a one-stop shop dedicated to business development and job creation, the New Jersey Partnership for Action. Additionally, it is a waste of tax dollars to fund programs that are only worthwhile on paper and not in reality. Now is the time for an evaluation of all of New Jersey's economic development policies to create a comprehensive approach to rebuilding New Jersey's economy.

- 5. Elimination of Unnecessary Programs.** There is no better time than now to begin evaluating programs to determine whether they are still needed. The FY2010 budget solutions allows for the phase out of redundant programs, like the Public Advocate. With few dollars we need to be smarter about how we spend them.
- 6. Improving Funding for Higher Education.** Higher education is a priority of the Christie administration and the way New Jersey will retain and attract talent. However, if we're going to keep funding these institutions, providing quality and competitive curriculums and reasonable tuitions, we need to effectively assist our colleges and universities and work with them every step of the way. We will move quickly to ease the burdens of over regulation and free them to succeed, allowing them to grow and serve even more NJ high school graduates.
- 7. Providing Long-Term, Stable Funding for Critical Services.** While the Christie administration tried to target surpluses and programs filled with abuse, the dire fiscal situation New Jersey's faces required hard choices regarding good programs. New Jersey's most vulnerable populations deserve to receive quality services and if we are going to adequately budget for these programs in the future, we need to fundamentally change the way government spends across the board, while reexamining ways we can serve these populations with better services.
- 8. Reassessing New Jersey's Hospitals and Their Solvency.** While programs like CharityCare were forced to see a reduction because of New Jersey's current fiscal environment, now we must review hospital solvency across the board. It is time to determine what works and what doesn't work, instead of bailing out hospitals that are consistently failing.
- 9. Resolve Tax Compliance Issues.** The Treasurer has set forward a tax settlement initiative in order to resolve tax compliance issues in a more responsible manner.

The FY 2010 Budget Comparison

Appropriations Act Versus February 2010

(In Millions)

	FY 2010	FY 2010	Change	
	Approp. Act	11-Feb-10	\$	%
Opening Surplus	\$ 735	\$ 614	\$ (121)	(16.5)
Revenues				
Income	10,448	10,448	-	-
EITC Expansion	(55)	(55)	-	-
Sales	7,965	7,523	(442)	(5.5)
Corporate	2,224	2,044	(180)	(8.1)
Other	8,175	7,585	(590)	(7.2)
Total Revenues	\$ 28,757	\$ 27,545	(1,212)	(4.2)
Total Resources	\$ 29,492	\$ 28,159	\$ (1,333)	(4.5)
Appropriations				
Original	\$ 28,990	\$ 28,990	0	0
Supplemental		872	872	
Total Appropriations	\$ 28,990	\$ 29,862	\$ 872	3.0
Surplus/(Deficit)	\$ 502	\$ (1,703)	\$ (2,205)	
Target Fund Balance		500		
Surplus/(Deficit) with Target Fund Balance	\$ 502	\$ (2,203)	\$ (2,705)	
Less:				
Resource Solutions		\$ 175	\$ 175	
Technical Balances		\$ 451	\$ 451	
Other Solutions		\$ 1,577	\$ 1,577	
Surplus/(Deficit) Net of Solutions		\$ (0)		

Fiscal Year 2010 Supplemental Appropriations

Enacted

Special Municipal Aid	44,000
Senior Tax Freeze	19,000
New Jersey Affordable Housing Trust Fund	15,000
Food Assistance	3,000
Hospital Asset Transformation Program - St. Mary's Passaic	1,069
Gubernatorial Elections Fund	1,165
Office of Legislative Services	781
Other	823
Subtotal	84,838

Pending

General Assistance Medicaid Waiver / Federal Match on FQHCs/Medicare	203,096
Medicaid General Medical Services / DDS Trend Shortfall	116,766
State Health Benefits - Loss of Furlough Savings	61,032
State Health Benefits – Member Share Loss	40,000
Nursing Homes Federal Stimulus	37,655
Snow Removal	30,000
Medicaid Anti Fraud Savings	25,000
Other Human Services Shortfalls	24,544
Senior Services Shortfall	23,656
New Jersey Sports and Exposition Authority	21,574
Tuition Assistance Grant	20,300
Rent Efficiencies	20,000
General Assistance Medical Trend Shortfall	19,188
Enhanced Federal Medicaid Funding Shortfall	16,807
Mental Health State Aid - Federal Disapproval of IMD Waiver	15,518
General Assistance/SSI Caseload	14,235
Unemployment Insurance	12,376
TANF Block Grant	11,714
No Medicaid Prescription Drug Formulary Savings	10,000
State Health Benefits – Unrealized Management Efficiency Savings	9,130
Workers' Compensation	8,400
Employee Benefits - FICA	7,400
Mental Health State Aid Base Shortfall	5,138
Tort/Vehicle Claims Liability	4,000
Child Care Caseload Shortfall	3,060
No Abbott Copay Phase III	2,976
Vehicle Rental Surcharge Revenue Shortfall	2,950
Traumatic Brain Injury Fund	2,700
South Jersey Port Corporation Debt Service Reserve Fund - Existing Debt	2,552
General Obligation Bonds - Refunding Savings not Realized	2,498
Part-Time Tuition Assistance Grant for County Colleges	2,496
Child Care Unionization	2,073
Marlboro and Greystone Surplus Property Maintenance Costs	2,000
Taxation - Fees for Collection Services	1,600
Other Supplementals Less than \$1 million	4,390
Subtotal	786,824

Total

871,662

EXECUTIVE ORDER NO. 14

WHEREAS, the State of New Jersey ("State") is confronting an unprecedented financial crisis affecting all levels of government; and

WHEREAS, actual and anticipated revenue collections by the State continue to fall far below the amounts estimated in the Fiscal Year 2010 Appropriations Act, P.L.2009, c.68; and

WHEREAS, the Acting State Treasurer estimates that the State expects to realize revenue shortfalls in its sales and corporate business taxes of approximately \$442 million and \$180 million, respectively; and

WHEREAS, the Acting State Treasurer further projects that realty transfer and insurance premium taxes are expected to be short by a combined \$200 million; and

WHEREAS, these newly identified tax shortfalls added to more than \$415 million in revenue shortfalls previously identified, create a projected aggregate net revenue shortfall of \$1.212 billion for Fiscal Year 2010, taking into account other appropriate revenue adjustments; and

WHEREAS, in addition to the expected annual revenue shortfall, the Acting State Treasurer has further revised the estimated July 1, 2009 beginning balance to \$613.8 million, representing a reduction of \$121 million from the original estimated beginning balance contained in the Fiscal Year 2010 Appropriations Act; and

WHEREAS, the combination of the aforementioned anticipated annual revenue shortfall and the revised beginning balance results in a total projected funding shortage for Fiscal Year 2010 of approximately \$1.333 billion; and

WHEREAS, the State further anticipates additional spending needs during Fiscal Year 2010 of \$872 million, including essential programs administered by the Department of Human Services and additional municipal aid; and

WHEREAS, the combined total estimated funding shortage and additional spending needs for Fiscal Year 2010 is projected to exceed \$2.2 billion; and

WHEREAS, the New Jersey State Constitution requires the Governor to take care that the laws of this State be faithfully executed, N.J.Const. (1947) Article V, Section 1, Paragraph 11, including ensuring compliance with the constitutional mandate that a balanced State budget be maintained, N.J.Const. (1947) Article VIII, Section 2, Paragraph 2; and

WHEREAS, the Governor is entrusted with the responsibility to protect the health, safety, and welfare of the people of this State, as well as the responsibility to aid in the prevention of damage, loss, or destruction of property in the event of emergency affecting the State pursuant to the Disaster Control Act, N.J.S.A. App.A:9-30 et seq.; and

WHEREAS, during the course of a fiscal year, the Governor may take steps to freeze State spending if it appears that revenues have fallen below those originally anticipated by impounding certain funds pursuant to N.J.S.A. 52:27B-31 to ensure that appropriations are not used to support waste, mismanagement or extravagance in a time of severely diminished fiscal resources; and

WHEREAS, in order to protect against and meet emergencies that may arise during each fiscal year, the Director of the

Division of Budget and Accounting ("Director") is authorized to freeze State spending by placing certain funds in reserve pursuant to N.J.S.A. 52:27B-26 to ensure that the State's budget remains balanced; and

WHEREAS, failure to exercise these powers would result in the State lacking sufficient resources to provide essential State services and basic operations of State government for the balance of Fiscal Year 2010, causing devastating immediate impacts on the residents of the State; and

WHEREAS, in order to determine which items of spending should be reserved or impounded, the Director has conferred with the various departments of State government to identify items which can be reduced for Fiscal Year 2010; and

WHEREAS, aid to school districts represents a significant part of the Fiscal Year 2010 budget, and because of the magnitude of the fiscal crisis and the fact that less than five months are left in the fiscal year to address it, it is necessary to freeze a portion of State school aid in order to address this fiscal emergency; and

WHEREAS, many school districts currently have surplus monies in their budgets that are available but not budgeted that could be made available to support those districts' current expenses during the current period of fiscal emergency; and

WHEREAS, given the dire position of the State's finances, it is necessary to freeze State aid payments to school districts that have available resources so that the freeze can be implemented without affecting the ability of these districts

to meet the educational obligations under the state constitution or placing a school district into deficit; and

WHEREAS, in the event that the State's financial condition deteriorates rather than improves during the remainder of the current fiscal year, I intend to aggressively utilize every authority at my disposal to ensure the maintenance of a balanced State budget;

NOW, THEREFORE, I, CHRIS CHRISTIE, Governor of the State of New Jersey, by virtue of the authority vested in me by the Constitution and by the Statutes of this State, do hereby ORDER and DIRECT:

1. A state of fiscal emergency exists in the State of New Jersey by reason of the facts and circumstances set forth above.

2. In light of these facts and circumstances, the Director is hereby ordered immediately to identify and place into reserve items of appropriation pursuant to N.J.S.A. 52:27B-26 in an amount sufficient to ensure that the State budget is in balance. The Director shall notify the Governor immediately of the list of items placed into reserve. In the event that during the remainder of Fiscal Year 2010, actual revenues collected are less than the revenues estimated on January 19, 2010, the Director shall take such further actions pursuant to N.J.S.A. 52:27B-26 to place into reserve additional items of appropriation so as to maintain a balanced budget. The Director shall report to the Governor any additional items of appropriation which are placed into reserve.

3. The Director is hereby ordered, in consultation with the Commissioner of the Department of Education

("Commissioner"), to determine the amount of State school aid that must be frozen in order to meet the fiscal emergency. The Director shall report to the Commissioner the amount of school aid to be reserved under the spending freeze required by this Order.

4. The Commissioner is hereby directed to review the budgets of all school districts and determine for each school district the amount of unanticipated surplus and reserve account monies ("Surplus") available but not budgeted in such school district that could be used to support the district's educational programs by being transferred to the current operating budget in the event of a withholding of State school aid.

5. The Commissioner, consistent with his constitutional responsibilities, shall allocate the amount of State school aid determined by the Director to be frozen among all the school districts so that the amount of State school aid frozen for each school district shall not exceed the Surplus for such school district or the amount of its remaining State school aid for Fiscal Year 2010. Upon such allocation, the Commissioner shall notify the Director of the amount determined for each school district, whereupon the Director shall place into reserve from State school aid for each school district the amount specified by the Commissioner.

6. The Commissioner, as necessary and appropriate, shall exercise his statutory and constitutional powers to authorize school districts, upon their request, to transfer Surplus to their current operating accounts to pay ongoing costs of operation

7. The Acting State Treasurer, in consultation with the Acting Attorney General, is hereby directed to study and make any appropriate recommendations to the Governor considering the projected costs to the State and local entities associated with previously negotiated employee salary structures and, if appropriate, presenting proposed alternatives to achieve necessary cost savings in light of the current fiscal crisis.

8. The Acting State Treasurer, in consultation with the Director, is further directed to monitor the collection of revenues and expenditures and to report to the Governor on an ongoing basis so that adjustments, if any, can be made by placing in reserve or impounding items of appropriation in order to meet changing fiscal conditions.

9. All State officials and agencies shall cooperate fully in the implementation of this Order.

10. I have taken what I believe to be the least intrusive actions available to me in order to address this fiscal emergency; however, until such time as the current state of fiscal emergency is terminated, I reserve the right to take such additional actions, invoke such additional emergency powers, and issue such emergency orders or directives as may be necessary to meet the potentially devastating problems presented by this emergency, to protect the health, safety, and welfare of the people of this State, and to ensure the continued provision of essential State services.

11. This Order shall take effect immediately and shall remain in full force and effect until rescinded, modified, or supplemented by me in response to the ongoing fiscal emergency, or until such time as a General Appropriations Act for Fiscal Year 2011 is enacted.

GIVEN, under my hand and seal this
day of
Two Thousand and Ten, and
of the Independence of the
United States, the Two
Hundred and Thirty-Fourth.

Chris Christie
Governor

Attest:

Jeffrey S. Chiesa
Chief Counsel to the Governor