PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 19, 2014

New Issue - Book-Entry Only

Fitch:
Moody's:
Standard & Poor's:
(See "RATINGS" herein)

$525,000,000*
STATE OF NEW JERSEY
GENERAL OBLIGATION BONDS
(Various Purposes)

Dated: Date of Delivery **Due: June 1, as shown on the inside cover**

This Official Statement has been prepared by the State of New Jersey (the "State") to provide information with respect to its $525,000,000* aggregate principal amount of General Obligation Bonds (Various Purposes) (the "Bonds"). The cover page contains certain selected information for quick reference only. It is not intended to be a summary of all factors relating to an investment in the Bonds. Investors must read the entire Official Statement, including all Appendices, to obtain information essential to making an informed investment decision.

Bid Date: Wednesday, December 3, 2014*

Tax Matters: In the opinion of Bond Counsel, pursuant to the applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code") and related rulings, regulations and judicial decisions, and assuming compliance by the State with the Tax Regulatory Agreement (as defined herein), (i) interest on the Bonds is not included in gross income for federal income tax purposes and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. Under existing laws of the State, interest on the Bonds and any gain on the sale thereof are not includible in gross income under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein.

Redemption: **The Bonds maturing on and after June 1, 2026 are redeemable at the option of the State, in whole or in part, at par, on any date on or after June 1, 2025.**

Security: **The Bonds are direct and general obligations of the State, the payment of which is secured by a pledge of the faith and credit of the State.**

Purpose: The Bonds are being issued to fund various capital programs of the State.

Interest Rates: As shown on the inside cover.

Interest Payment Dates: Interest on the Bonds will accrue from the date of delivery of the Bonds and will be payable on June 1, 2015, and semiannually thereafter on June 1 and December 1 of each year to and including their respective dates of maturity.

Denominations: $5,000 or any integral multiple thereof.

Issuer Contact: New Jersey Office of Public Finance, (609) 984-4888.

Book-Entry Only: The Depository Trust Company ("DTC"), New York, New York.

The Bonds are offered for delivery when, as and if issued by the State, subject to the receipt of approving opinions of the Attorney General of the State and of Wolff & Samson PC, West Orange, New Jersey, Bond Counsel to the State. It is expected that the Bonds will be available for delivery through the offices of DTC in New York, New York on or about December 18, 2014.

Official Statement Dated: December _, 2014

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* Preliminary, subject to adjustment in accordance with the Notice of Sale.

$525,000,000*

STATE OF NEW JERSEY
GENERAL OBLIGATION BONDS
(Various Purposes)

Year (June 1)	Principal Amount*	Interest Rate	Price or Yield	CUSIP**
2016	$17,640,000			
2017	18,170,000			
2018	18,715,000			
2019	19,460,000			
2020	20,240,000			
2021	21,050,000			
2022	21,890,000			
2023	22,770,000			
2024	23,680,000			
2025	24,625,000			
2026	25,610,000			
2027	26,635,000			
2028	27,700,000			
2029	29,085,000			
2030	30,540,000			
2031	32,065,000			
2032	33,670,000			
2033	35,355,000			
2034	37,120,000			
2035	38,980,000			

* Preliminary, subject to adjustment in accordance with the Notice of Sale.

** Registered Trademark of American Bankers Association. CUSIP data herein is provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds and the State does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions, including, but not limited to, a refunding in whole or in part of such maturity or as a result of procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

The following Official Statement contains a general description of the Bonds and the State of New Jersey (the "State"), and sets forth provisions of the Acts (as defined herein). The descriptions and summaries herein do not purport to be complete and are not construed to be representations of the State. Persons interested in purchasing the Bonds should review carefully the Appendices attached hereto as well as copies of the documents described herein.

No dealer, broker, salesman or any other person has been authorized by the State to give any information or to make any representations with respect to the Bonds, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Certain information contained herein has been obtained from the State and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness. The information in this Official Statement concerning The Depository Trust Company ("DTC") and DTC's book-entry system has been supplied to the State by DTC for inclusion herein. Such information has not been independently verified by the State and the State makes no representation as to the accuracy or completeness of such information. The information and the expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the State or its agencies, authorities, instrumentalities or political subdivisions as described herein since the date hereof.

The Bonds have not been registered under the Securities Act of 1933, as amended, and the Resolution (as defined herein) has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon certain exemptions contained in such federal laws. In making an investment decision, investors must rely upon their own examination of the Bonds and the security therefore, including an analysis of the risks involved. The Bonds have not been recommended by any federal or state securities commission or regulatory authority. The registration, qualification or exemption of the Bonds in accordance with the applicable provisions of the securities laws of the various jurisdictions in which the Bonds have been registered, qualified or exempted cannot be regarded as a recommendation thereof. Neither such jurisdictions nor any of their agencies have passed upon the merits of the Bonds or the adequacy, accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity will have passed upon the accuracy or adequacy of this Official Statement or approved the sale of the Bonds.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

References in this Official Statement to acts, statutes, laws, rules, regulations, resolutions, agreements, reports and documents do not purport to be comprehensive or definitive, and all such references are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications and exceptions to statements made herein. This Official Statement is distributed in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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OFFICIAL STATEMENT
of the
STATE OF NEW JERSEY
Relating to
$525,000,000*
GENERAL OBLIGATION BONDS
(Various Purposes)
consisting of
$14,700,000* Port of New Jersey Revitalization, Dredging, Environmental Cleanup, Lake Restoration, and Delaware Bay Area Economic Development Bonds (1996) (Series I)
$60,300,000* 2009 New Jersey Green Acres, Water Supply and Floodplain Protection, and Farmland and Historic Preservation Bonds (Series B)
$450,000,000* Building Our Future Bonds (2012) (Series B)

INTRODUCTION

The Official Statement, which includes the cover page and the Appendices attached hereto (the "Official Statement") has been prepared by the State of New Jersey (the "State") to provide certain information relating to the State and the proposed delivery of $525,000,000* aggregate principal amount of its General Obligation Bonds (Various Purposes) consisting of three separate series as shown above (the "Bonds").

The Bonds are being issued by the State pursuant to various laws enacted by the New Jersey State Legislature and approved by the voters of the State (such acts, as they may be amended from time to time, hereinafter collectively referred to as the "Acts"). (See "THE BONDS - Authorization of the Bonds" herein.)

Pursuant to the Acts, the Bonds are direct and general obligations of the State and the faith and credit of the State are pledged for the payment of the principal thereof, the interest thereon and, if provided, the redemption premium thereon, if any, as the same become due. For financial information relating to the State and information relating to the outstanding indebtedness of the State, see "APPENDIX I - FINANCIAL AND OTHER INFORMATION RELATING TO THE STATE OF NEW JERSEY".

All references herein to the Acts are qualified in their entirety by reference to the complete text of the Acts, copies of which are available from the State, and all references to the Bonds are qualified in their entirety to the definitive forms thereof and the information with respect thereto contained therein.

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* Preliminary, subject to adjustment in accordance with the Notice of Sale.

THE BONDS

Authorization of the Bonds

The Bonds are authorized under the Acts which, together with the total amount of bonds authorized under each such Act and the principal amount of bonds issued thereunder, including the Bonds, are listed below:

Title of Bonds	Act	Bonds Offered*	Total Bonds Authorized	Total Bonds Issued (Including Bonds Offered)*
Port of New Jersey Revitalization, Dredging, Environmental Cleanup, Lake Restoration, and Delaware Bay Area Economic Development Bonds (1996)	L. 1996, c. 70	$14,700,000	$300,000,000	$227,200,000
2009 New Jersey Green Acres, Water Supply and Floodplain Protection, and Farmland and Historic Preservation Bonds	L. 2009, c. 117	$60,300,000	$400,000,000	$229,800,000
Building Our Future Bonds (2012)	L. 2012, c. 41	$450,000,000	$750,000,000	$550,000,000

The Governor of the State, Treasurer of the State (the "State Treasurer") and the Director of the Division of Budget and Accounting in the Department of the Treasury, or in their absence or incapacity, the persons authorized by law to act in their capacities, or any two of such officials, have been designated as the Issuing Officials for the Bonds (the "Issuing Officials"), pursuant to the provisions of the Acts. The Issuing Officials are authorized pursuant to the Acts to carry out the provisions thereof relating to the issuance of the Bonds and shall determine all matters in connection therewith subject to the provisions of such Acts. Pursuant to such authorization under the Acts, the Issuing Officials adopted two resolutions, on October 29, 2014 and ___________, 2014, respectively (collectively, the "Resolution"), authorizing various matters relating to the Bonds.

Sources of Payment and Bondholder Remedies

The Acts make the following appropriations, to provide for the payment of the principal of, interest on and, if provided therein, the redemption premium of, if any, the Bonds, in the following order of priority;

(a) Revenue derived by the State from the tax collected under and by virtue of the provisions of the Sales and Use Tax Act, L. 1966, c. 30 (N.J.S.A. 54:32B-1, *et seq.*), as

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*Preliminary, subject to adjustment in accordance with the Notice of Sale.

amended and supplemented, or so much thereof as may be required. The revenues from the taxes and fees referred to above are also appropriated to the payment of future bond issues of the State.

(b) If in any year or at any time the funds appropriated as described in (a) above are insufficient or not available to meet the interest and principal payments and, if provided, redemption premium payments, if any, upon outstanding bonds issued under the Acts, a tax shall be assessed, levied and collected annually in each of the municipalities of the counties of the State on all real and personal property upon which municipal taxes are or shall be assessed, levied and collected sufficient to meet interest payable on outstanding bonds issued under the Acts and proposed to be issued under the Acts in the calendar year in which such tax is to be raised and principal of and interest on the Bonds falling due in the year following the year for which the tax is levied. The governing body of each municipality shall pay the amount of the tax assessed and levied to the respective county treasurer on or before December 15 in each year and the county treasurer shall pay the amount of the tax to the State Treasurer on or before December 20 in each year.

The Acts further provide that if on or before December 31 in any year, the Issuing Officials determine by resolution that there are moneys in the State's General Fund, beyond the needs of the State, sufficient to meet the principal of the Bonds falling due and all interest and, if provided, redemption premium, if any, payable in the ensuing calendar year, then the Issuing Officials shall by resolution so find and shall file such resolution in the office of the State Treasurer, whereupon the State Treasurer shall transfer such moneys to a separate fund to be designated by the State Treasurer and shall pay the principal, interest and, if provided, redemption premium, if any, out of such fund as the same shall become due and payable, and the other sources of payment of such principal, interest and, if provided, redemption premium, if any, described in subparagraphs (a) and (b) above shall not then be available for such payments of principal, interest and redemption premiums, if any. The Acts also provide that if by December 31 of any year the State Treasurer determines that there will be insufficient moneys available for the payment of principal of and interest on the Bonds coming due in the calendar year following the immediately ensuing calendar year, a tax shall be assessed, levied and collected in each county in the State in the immediately ensuing calendar year that is sufficient to pay such principal and interest.

See "APPENDIX I - FINANCIAL AND OTHER INFORMATION RELATING TO THE STATE OF NEW JERSEY - OUTSTANDING BONDED INDEBTEDNESS OF THE STATE" for a description of future debt service requirements of General Obligation Bonds of the State.

The Acts pledge the faith and credit of the State to the payment of the principal of, interest and, redemption premium, if any, on the Bonds authorized by such Acts. If the State fails to pay the principal of, interest and, if provided, redemption premium, if any, on the Bonds, a holder of the Bonds has the right, among other legal and equitable remedies which may be available, to institute suit against the State for payment of the Bonds. A judgment against the State resulting from such suit will be payable from funds appropriated or otherwise provided for by the Acts.

Description of Bonds

The Bonds will be dated the date of delivery thereof, will bear interest at the respective rates per annum set forth on the inside cover hereof, and will mature on the dates and in the principal amounts set forth below. Interest on the Bonds is payable on June 1, 2015 and semi-annually thereafter on December 1 and June 1 in each year until maturity or prior redemption.

Each series of the Bonds will mature on June 1 in each of the years and principal amounts as follows:

Year	Port of New Jersey Revitalization, Dredging, Environmental Cleanup, Lake Restoration, and Delaware Bay Area Economic Development Bonds (1996) (Series I)	2009 New Jersey Green Acres, Water Supply and Floodplain Protection, and Farmland and Historic Preservation Bonds (Series B)	Building Our Future Bonds (2012) (Series B)
2016			
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Optional Redemption

The Bonds maturing on or before June 1, 2025 will not be subject to redemption prior to their respective stated maturity dates. The Bonds maturing on or after June 1, 2026 will be subject to redemption prior to their respective stated maturity dates, at par, at the option of the State, acting through the Issuing Officials, on any date on or after June 1, 2025, either in whole or in part, by lot, within a maturity from maturities selected by the State upon the payment of 100% of the principal amount thereof and accrued interest thereon to the date fixed for redemption.

Notice of Redemption

Unless the State is the Paying Agent and Transfer Agent, written notice of its election to redeem any Bond shall be mailed by the State to the Paying Agent and Transfer Agent not less than sixty (60) days prior to the redemption date. The Paying Agent and Transfer Agent shall mail notice of redemption in the name of the State, not less than thirty (30) days nor more than sixty (60) days prior to the redemption date, to the registered owners of the Bonds to be redeemed at their addresses appearing on the registration books maintained by the Paying Agent and Transfer Agent. The Paying Agent and Transfer Agent, in addition to notice by mail, may publish or cause to be published once a week, for at least two successive weeks, notice of such redemption in a financial newspaper of general circulation in the City of New York, New York, the first such publication being not less than thirty (30) days nor more than sixty (60) days prior to the redemption date. In no event will such publication be a condition precedent to redemption nor will the failure to publish or the failure of any registered owner of the Bonds to receive any redemption notice affect the validity of the redemption proceedings.

Paying Agent, Registrar and Transfer Agent

Initially, the State will act as "Paying Agent," "Registrar" and "Transfer Agent" for the Bonds. However, the State reserves the right to appoint one or more Paying Agents, Registrars and Transfer Agents.

The Bonds are issuable as fully registered bonds and are payable as to principal and redemption premium, if any, upon presentation and surrender thereof at the New Jersey Department of the Treasury, Trenton, New Jersey, as Paying Agent. Interest on the Bonds is payable by check or draft or wire transfer mailed or wired, as applicable, by the State to the registered owners appearing in, and mailed to the addresses appearing on, the registration books of the State on the respective November 15 and May 15 prior to each interest payment date. As is more fully described herein under "BOOK-ENTRY ONLY SYSTEM," DTC (hereinafter defined) shall be the only initial registered owner of the Bonds.

BOOK-ENTRY ONLY SYSTEM

The following description of The Depository Trust Company ("DTC"), New York, New York, and the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal and premium, if any, of and interest and other payments with respect to the Bonds to Direct Participants (as defined below) or Beneficial Owners (as defined below), *confirmation and transfer of beneficial ownership interests in such Bonds and other related transactions by and among DTC, the Direct Participants and the Beneficial Owners is based solely on information provided by DTC, and the State assumes no responsibility therefor. Accordingly, no representations can be made concerning these matters and neither the Direct Participants nor the Beneficial Owners should rely on the following information with respect to such matters, but should instead confirm the same with DTC or the Direct Participants, as the case may be. Information concerning DTC and the Book-Entry Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the State.*

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity and, if applicable, interest rate within a maturity of the Bonds in the aggregate principal amount of each such Series, maturity and, if applicable, interest rate within the Bonds, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect

Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults and proposed amendments to the Bonds documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to the Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the State as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the State or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the State or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the State or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The State may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

THE STATE OR ITS PAYING AGENT, IF ANY, CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC WILL DISTRIBUTE TO THE DIRECT PARTICIPANTS OR THAT THE DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS (i) PAYMENTS OF PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OF OR INTEREST ON THE BONDS, (ii) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTERESTS IN THE BONDS, OR (iii) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNER OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

NEITHER THE STATE NOR ITS PAYING AGENT, IF ANY, WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY PERSON CLAIMING A BENEFICIAL OWNERSHIP INTEREST IN THE BONDS UNDER OR THROUGH DTC OR ANY DIRECT PARTICIPANT, OR ANY OTHER PERSON WHO IS NOT SHOWN IN THE REGISTRATION BOOKS OF THE STATE AS BEING A BONDHOLDER. THE STATE AND ITS PAYING AGENT, IF ANY, SHALL HAVE NO RESPONSIBILITY WITH RESPECT TO (i) ANY OWNERSHIP INTEREST IN THE BONDS; (ii) THE PAYMENT BY DTC TO ANY PARTICIPANT OR BY ANY DIRECT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OF OR INTEREST ON THE BONDS; (iii) THE DELIVERY TO ANY PARTICIPANT OR ANY BENEFICIAL OWNER OF ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS UNDER THE RESOLUTION; (iv) THE SELECTION BY DTC OR ANY PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS; OR (v) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR CEDE & CO. AS BONDHOLDER.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDHOLDERS OR REGISTERED OWNERS OF THE BONDS SHALL MEAN CEDE & CO., AS AFORESAID, AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

Discontinuance of Book-Entry Only System. DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the State or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, certificated Bonds are required to be printed and delivered to DTC. The State may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In such event, certificated Bonds will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the State believes to be reliable, but the State takes no responsibility for the accuracy thereof.

APPLICATION OF BOND PROCEEDS

The proceeds from the sale of the Bonds are intended to be applied to ongoing capital expenditure programs of the State as described below. In certain cases, these programs have been funded on a temporary basis by general fund moneys or other available moneys. In these cases, the proceeds from the sale of the Bonds will be used to reimburse the funds advanced. Pending disbursements by the State, the proceeds of such Bonds will be invested in accordance with applicable State statutes and federal law.

In the case of the Port of New Jersey Revitalization, Dredging, Environmental Cleanup, Lake Restoration, and Delaware Bay Area Economic Development Bonds (1996), the enabling legislation provides that said bonds are authorized for the purposes of (i) financing, in whole or in part, the cost of the construction of subaqueous pits and a containment facility or facilities for the disposal of dredged material from the port region, the cost of projects related to the decontamination of dredged material, and the cost of dredging the Kill Van Kull, the Arthur Kill and other navigation channels located in the port region; (ii) paying or financing costs incurred by the State for the remediation of hazardous discharge sites and for the construction of water supply facilities to replace potable water supplies determined to be contaminated or threatened by a discharge; (iii) financing the cost of dredging of navigation channels not located in the port region; (iv) financing the cost of the purchase of real property, equipment, and any building, construction, and miscellaneous site improvements associated with an economic development site; and (v) financing the cost of lake restoration projects.

In the case of the 2009 New Jersey Green Acres, Water Supply and Floodplain Protection, and Farmland and Historic Preservation Bonds, the enabling legislation provides that said bonds are authorized for the purposes of (i) providing moneys to meet the cost of public acquisition and development of lands by the State for recreation and conservation purposes; (ii) providing State grants and loans to assist local government units to meet the cost of acquiring and developing lands for recreation and conservation purposes; (iii) providing State matching grants to assist qualifying tax-exempt nonprofit organizations to meet the cost of acquiring lands for recreation and conservation purposes; (iv) the preservation of farmland; (v) providing moneys to meet the Blue Acres cost of acquisition by the State, for recreation and conservation purposes, of lands that have been damaged by, or may be prone to incurring damage caused by storms or storm-related flooding, or that may buffer or protect other lands from such damage; and (vi) providing State matching grants to assist State agencies or entities, local government units, and qualifying tax-exempt nonprofit organizations to meet the cost of preservation of historic properties.

In the case of the Building Our Future Bonds (2012), the enabling legislation provides that said bonds are authorized for the purposes of providing moneys for capital project grants for increasing of academic capacity at New Jersey's public institutions and private institutions of higher education.

RATINGS

Fitch Ratings, Inc. ("Fitch"), Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P") have assigned long-term ratings of "___," "___" and "___," respectively, to the Bonds. These ratings reflect only the view of Fitch, Moody's and S&P, respectively, and an explanation thereof may be obtained only from Fitch, Moody's and S&P. There is no assurance that such ratings will remain in effect for any given period of time or that they will not be revised downward or withdrawn entirely by Fitch, Moody's and S&P if, in their judgment, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

LEGAL OPINION

In the opinion of the Attorney General of the State and of Wolff & Samson PC, West Orange, New Jersey, Bond Counsel to the State, the Bonds are valid and legally binding direct and general obligations of the State, the payment of which is secured by a pledge of the faith and credit of the State. Such opinions will be substantially in the form attached to this Official Statement as APPENDIX II.

TAX MATTERS

Exclusion of Interest on the Bonds from Gross Income for Federal Tax Purposes

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met on a continuing basis subsequent to the issuance of the Bonds in order to assure that interest on the Bonds will be excluded from gross income for federal income tax purposes under Section 103 of the Code. Such requirements include requirements relating to private use limitations and the yield restriction of certain funds. Failure of the State to comply with such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes, retroactive to the date of issuance of the Bonds. The State will make representations in the Tax Regulatory Agreement, which will be executed on the date of issuance of the Bonds, as to various tax requirements (the "Tax Regulatory Agreement"). The State, in executing the Tax Regulatory Agreement, will represent that the State expects and intends to comply, and to the extent permitted by law, will comply with the provisions and procedures set forth in the Tax Regulatory Agreement and will do all things necessary to assure that the interest on the Bonds will be excluded from gross income under Section 103 of the Code. Wolff & Samson PC, Bond Counsel to the State, has relied upon the representations made in the Tax Regulatory Agreement and has assumed continuing compliance by the State with all applicable federal income tax law requirements in rendering its federal income tax opinion with respect to the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Based upon the foregoing, Bond Counsel is of the opinion that, pursuant to the applicable provisions of the Code and related rulings, regulations and judicial decisions, (i) interest on the Bonds is not includable in gross income for federal income tax purposes and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations.

[Bond Counsel is also of the opinion that the difference between the principal amount of the Bonds maturing on June 1, _____ (the "Discount Bonds") and their initial offering price to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Discount Bonds of the same maturity was sold, constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Discount Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond, and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount.]

[Under Section 171(a)(2) of the Code, no deduction is allowed for the amortizable bond premium (determined in accordance with Section 171(b) of the Code) on tax-exempt bonds. Under Section 1016(a)(5) of the Code, however, an adjustment must be made to the owner's basis in such bond to the extent of any amortizable bond premium that is disallowable as a deduction under Section 171(a)(2) of the Code.]

Additional Federal Income Tax Consequences

Prospective purchasers of the Bonds should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Bonds, may have additional federal income tax consequences for certain taxpayers, including, without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty companies, foreign corporations and certain S corporations.

Bond Counsel expresses no opinion regarding any federal tax consequences other than its opinion with regard to the exclusion of interest on the Bonds from gross income pursuant to Section 103 of the Code and the treatment of interest for purposes of the alternative minimum tax. Prospective purchasers of the Bonds should consult their tax advisors with respect to all other tax consequences (including, but not limited to, those listed above) of holding the Bonds.

State Taxation

Bond Counsel is of the opinion that, under existing laws of the State, interest on the Bonds and any gain on the sale thereof are not includable in gross income under the New Jersey Gross Income Tax Act.

CONTINUING DISCLOSURE

The Securities and Exchange Commission (the "SEC"), pursuant to the Securities Exchange Act of 1934, as amended and supplemented (the "Securities Exchange Act"), has adopted amendments to its Rule 15c2-12 ("Rule 15c2-12") effective July 3, 1995 which generally prohibit a broker, dealer, or municipal securities dealer ("Participating Underwriter") from purchasing or selling municipal securities, such as the Bonds, unless the Participating Underwriter has reasonably determined that an issuer of municipal securities or an obligated person has undertaken in a written agreement or contract for the benefit of holders of such securities to provide certain annual financial information and material event notices to the Municipal Securities Rulemaking Board (the "MSRB").

On the date of delivery of the Bonds, the State will enter into an Agreement with Respect to Continuing Disclosure (the "Continuing Disclosure Agreement") for the benefit of the beneficial holders of the Bonds pursuant to which the State will agree to comply on a continual basis with the disclosure requirements of Rule 15c2-12. Specifically, the State will covenant in the Continuing Disclosure Agreement to provide certain financial information and operating data relating to the State by not later than March 15 of each year with respect to the fiscal year of the State ending the preceding June 30, commencing with the fiscal year of the State ending June 30, 2014 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, as provided in the Continuing Disclosure Agreement. The form of the Continuing Disclosure Agreement is included as APPENDIX III to this Official Statement. The information to be provided in each Annual Report generally will be information pertaining to the finances and operating data of the State substantially of the type captioned as follows in APPENDIX I to this Official Statement: "STATE FINANCES," "FINANCIAL RESULTS AND ESTIMATES," "OUTSTANDING BONDED INDEBTEDNESS OF THE STATE," "TAX AND REVENUE ANTICIPATION NOTES," "OBLIGATIONS SUPPORTED BY STATE REVENUE SUBJECT TO ANNUAL APPROPRIATION," "MORAL OBLIGATION FINANCING," "STATE EMPLOYEES," "STATE FUNDING OF PENSION PLANS," "FUNDING POST-RETIREMENT MEDICAL BENEFITS," "LITIGATION" and the State's Comprehensive Annual Financial Report as set forth in APPENDIX I-A attached to APPENDIX I of this Official Statement.

For the Fiscal Year ended June 30, 2008, the State Treasurer failed to timely provide the State's annual report containing its financial and operating data as required by the State's various Agreements with Respect to Continuing Disclosure entered into by the State in connection with its general obligation bonds. The annual report was due to the nationally recognized municipal securities repositories on March 15, 2009. The annual report was filed on March 31, 2009.

The annual reports for the Fiscal Year ended June 30, 2009 through June 30, 2013 were filed on time.

UNDERWRITING

_______________ submitted the successful bid at the public sale of the Bonds on December 3, 2014 and has agreed, pursuant to the terms of the Notice of Sale relating to the Bonds, to purchase the Bonds from the State at an aggregate price of $____________ (representing the principal amount of $525,000,000.00 * [plus][minus] [net]original issue [premium][discount] in the amount of $[________] less underwriter's discount in the amount of $[_______]) and to make a bona fide public offering of the Bonds at the initial public offering prices set forth on the inside cover page of this Official Statement.

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the State and the purchasers or holders of any Bonds. All inquiries for information or questions regarding this Official Statement should be directed to the New Jersey Department of the Treasury, Trenton, New Jersey 08625 (telephone (609) 984-4888).

All estimates and assumptions of financial and other information in this Official Statement are based upon information current available, are believed to be reasonable and are not to be construed as assurances of actual outcomes. All estimates of future performance or events constituting "forward looking statements" set forth herein may or may not be realized because of a wide variety of economic and other circumstances. Included in such forward-looking statements are numbers and other information from budgets for current fiscal years.

THE STATE OF NEW JERSEY

By:____

Andrew P. Sidamon-Eristoff
Treasurer of the State of New Jersey

* Preliminary, subject to adjustment in accordance with the Notice of Sale.

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APPENDIX I
FINANCIAL AND OTHER INFORMATION RELATING TO THE STATE OF NEW JERSEY

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APPENDIX I

DATED SEPTEMBER 8, 2014

FINANCIAL AND OTHER INFORMATION RELATING TO THE STATE OF NEW JERSEY

This Appendix I speaks only as of its date and contains information supplied by the State that a prospective investor might consider in reaching a decision to invest in securities of the State or securities issued by governmental authorities that are secured by amounts subject to appropriations by the State Legislature. Nothing contained in this Appendix I shall create any implication that there has been no change in the affairs of the State since the date hereof. This Appendix I replaces Appendix I dated April 8, 2014 and supplements thereto. The principal changes reflected in this Appendix I are the updates of information to reflect the enactment of the Fiscal Year 2015 Appropriations Act and certain financial and other activity which occurred during Fiscal Year 2014. The State intends to further update or supplement the information contained in this Appendix I upon becoming aware of the occurrence of any event that materially changes the information contained herein.

All quotations from and summaries and explanations of provisions of laws of the State contained in this Appendix I do not purport to be complete and are qualified in their entirety by reference to the official compilation of State laws.

All estimates and assumptions of financial and other information set forth in this Appendix I are and will be based on information available as of its date, are believed to be reasonable and are not to be construed as assurances of actual outcomes. All estimates of future performance or events constituting "forward-looking statements" set forth in this Appendix I may or may not be realized because of a wide variety of economic and other circumstances. Included in such forward-looking statements are budgetary numbers and other information for the most recent past and current fiscal years.

From time to time, State officials or representatives of State governmental authorities may issue statements or reports, post information on websites, or otherwise make public information that contain predictions, projections or other information relating to the State's financial condition, including potential operating results for the current fiscal year and for future fiscal years, that may vary materially from the information provided in this Appendix I. In addition, such officials and authorities as well as other persons and groups, with or without official State governmental approval and cooperation, may undertake studies and analyses, whether or not designed to be made public, which may contain information regarding the State and its financial condition which differs significantly from the information provided herein or on which the information provided herein is based. Such statements, reports and information are not part of this Appendix I or the Official Statement to which this Appendix I is appended and should not be relied upon by investors and other market participants.

To the extent the State determines it is necessary or appropriate to revise, update or supplement the information contained in this Appendix I, the State will prepare and make public supplements to this Appendix I. Investors and other market participants should refer to subsequent Official Statements containing updates to this Appendix I or filings with the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board ("MSRB") for official revisions, updates or supplements to the information contained in this Appendix I. In determining the appropriate information concerning the State to be relied upon in making an investment decision, investors and other market participants should refer only to this Appendix I and official supplements thereto provided by the State.

The Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2013, including Management's Discussion and Analysis (the "2013 CAFR"), has been separately filed with the MSRB and is incorporated by specific reference herein and is considered to be part of this Appendix I. The State has also placed a copy of the 2013 CAFR on the following website at www.state.nj.us/treasury/omb. No statement on that website or any other website is included by specific cross-reference herein.

Although the State has prepared the information on the above website for the convenience of those seeking that information, no decision in reliance upon that information should be made. Typographical or other errors may have occurred in converting the original source documents to their digital format, and the State assumes no liability or responsibility for errors or omissions contained on any website. Further, the State disclaims any duty or obligation to update or maintain the availability of the information contained on any website or any responsibility or liability for any damages caused by viruses contained within the electronic files on any website. The State also assumes no liability or responsibility for any errors or omissions or for any update to dated information contained on any website.

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FINANCIAL AND OTHER INFORMATION RELATING TO THE STATE OF NEW JERSEY

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* Filed with the MSRB and incorporated by specific reference herein.

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THE STATE OF NEW JERSEY

The State was one of the original thirteen colonies and was the third state to ratify the United States Constitution in 1787. The original State Constitution was adopted on July 2, 1776 and was subsequently superseded by the State Constitution of 1844. A new State Constitution was prepared by a constitutional convention in 1947 and was ratified by voters of the State in the general election held November 4, 1947.

The State Constitution provides for a bicameral legislature which meets in annual sessions. Members of the State Senate are elected to terms of four years, except for the election following a decennial census, in which case the election is for a term of two years. Members of the General Assembly are elected to terms of two years. Both the Governor and the Lieutenant Governor are elected to terms of four years each.

There are 15 departments of the Executive Branch of State government. The maximum number of departments permitted by the State Constitution is 20.

DEMOGRAPHIC AND ECONOMIC INFORMATION

New Jersey is the eleventh largest state in population and the fifth smallest in land area. According to the United States Bureau of the Census, the population of New Jersey was 7,730,188 in 1990, 8,414,350 in 2000, 8,791,894 in 2010, and, as of July 1, 2014, estimated to be 8,899,339 in 2012. With an average of 1,196 persons per square mile, per the 2010 Census, it is the most densely populated of all the states. New Jersey is located at the center of the megalopolis which extends from Boston to Washington and which includes over one-fifth of the country's population. The extensive facilities of the Port Authority of New York and New Jersey, the Delaware River Port Authority and the South Jersey Port Corporation augment the air, land and water transportation complex which has influenced much of the State's economy. This central location in the northeastern corridor, the transportation and port facilities and proximity to New York City make the State an attractive location for corporate headquarters and international business offices.

The State's economic base is diversified, consisting of a variety of manufacturing, construction and service industries, supplemented by rural areas with selective commercial agriculture. New Jersey has the Atlantic seashore on the east and lakes and mountains in the north and northwest, which provide recreation for residents as well as for out-of-state visitors. Since 1978, casino gambling in Atlantic City has been an important State tourist attraction.

New Jersey's population grew rapidly in the years following World War II, before slowing to an annual rate of growth of 0.27% in the 1970s. Between 1980 and 1990, the annual rate of growth rose to 0.49% and between 1990 and 2000, accelerated to 0.85%, but was only 0.44% between 2000 and 2010. While this rate of growth is less than that for the United States, it compares favorably with other Middle Atlantic states. New York's population grew at an annual rate of 0.31% from 2000 to 2010 and Pennsylvania's population grew at a rate of 0.28% per year during the same period.

The increase in the State's total population during recent decades masks the redistribution of population within the State. For many years there was a significant shift from the northeastern industrial areas toward the coastal counties of Atlantic, Ocean and Monmouth, and the central New Jersey counties of Hunterdon, Somerset and Middlesex. However, preliminary data suggest that in recent years counties in the northeastern part of the State, most notably Hudson, have been gaining population relative to the rest of the State. Most of the counties along the Delaware River, including Hunterdon, have lost population since 2010. Cumberland and Cape May counties have also seen declines in population since 2010.

For more information, see "APPENDIX-I-B-DEMOGRAPHIC AND ECONOMIC INFORMATION" herein.

SELECTED INFORMATION RELATING TO NEW JERSEY'S ECONOMIC CONDITION

The State's level of payroll employment as of July 2014 was 3.951 million, which was higher than (+13,600) the level of payroll employment as of July 2013. The increase in payroll employment during this period was 1.5 percentage points lower than the national rate of increase in payroll employment. During the twelve month period ending in July 2014, jobs were created in trade, transportation, and utilities (+18,100), education and health services (+9,800), and professional and business services (+7,800), while jobs were lost in construction (-8,900), the public sector (-3,300), other services (-3,300), financial activities (-2,600), information (-2,300), and manufacturing (-300).

According to information released by the New Jersey Department of Labor and Workforce Development on March 17, 2014, payroll employment in 2013 averaged 1.2% higher than in 2012. The 2013 increase in payroll employment in the State was six-tenths of a percentage point lower than the national increase in payroll employment. The State's increase ranked thirty-first among the fifty states.

The State's unemployment rate declined from 8.4% in July 2013 to 6.5% in July 2014. The decline in the unemployment rate reflects both a decline in the labor force participation rate, resulting in a decline in the State's labor force, and an increase in the number of employed State residents. The increase in the number of employed State residents from July 2013 to July 2014 was 37,800, higher than the increase in the level of payroll employment over the same period. The discrepancy between the increases in the two measures reflects both differences in the concepts (nonresidents may hold jobs in New Jersey, and New Jersey residents may hold jobs in other states, may hold multiple jobs in New Jersey, may work in the agricultural sector, or be self-employed) and differences in the samples used to compile each of them. The State's labor force participation rate, as well as the percentage of the State's population that is employed, remains above the national average.

According to the United States Commerce Department, Bureau of Economic Analysis, in a report dated June 11, 2014, New Jersey's gross state product rose 1.1% from 2012 to 2013, adjusted for inflation. This increase ranked thirty-seventh among the states, and was less than the national gain of 1.8%. However, the State's growth in 2013 was higher than the 0.7% rate for the Middle Atlantic region as a whole. Moreover, over the two years from 2011 to 2013, New Jersey's gross state product grew more rapidly than all but one other state in the Northeast region. Prior to the inflation adjustment, New Jersey's gross state product in 2013 totaled $543.1 billion, ranking eighth among the fifty states. Each of the seven states with higher gross state products than New Jersey have substantially higher populations, while three states with substantively higher populations than New Jersey have lower gross state products.

According to the United States Commerce Department, Bureau of Economic Analysis, in a release dated June 24, 2014, personal income of the State's residents rose 3.6% over the year ending in the first quarter of 2014. This increase ranked sixteenth among the fifty states and was virtually identical to the gains reported for the nation as a whole, as well as for the New England and Mideast regions over the same time period. According to January 2014 economic forecasts from IHS Global Insight and Moody's Economy.com, growth in personal income for New Jersey residents is expected to continue through 2014 and 2015 at rates higher than those seen in 2013.

New Jersey's housing sector is recovering, but at an irregular rate. More than 24,000 building permits were granted in 2013, an increase of nearly 35% from 2012, and the highest figure since 2007. In the first six months of 2014, the number of permits granted was 28.7% higher than over the same period in 2013. The New Jersey Association of Realtors reports that single-family home resales in the State in 2013 were 18.4% higher than in 2012. However, single-family home resales in the first six months of 2014 were 4.3% lower compared to the same period in 2013. The recent decline likely reflects, in part, unusually harsh weather in New Jersey in the early months of 2014. In May and June 2014, the number of contracts signed for single-family home purchases was higher than in the corresponding months of 2013. Growth in housing activity is anticipated to continue, as reduced prices, low mortgage rates, and higher rental costs have increased the attractiveness of home ownership, while ongoing recovery from Superstorm Sandy will continue to spur building in parts of the State. In addition, the northeastern parts of the State are experiencing considerable construction of multi-family rental properties in the vicinity of New York City. However, the significant number of properties still in the judicial foreclosure process may temper the recovery in the housing sector.

The auto sector continues to improve. Sales of new motor vehicles in 2013 were 9.5% higher than in 2012, and in the first six months of 2014 sales averaged 2.4% higher than during the same period in 2013.

Economic conditions in New Jersey and the nation are continuing to improve. This improvement has been manifested in the expansion of consumer and capital spending, and has resulted in increased employment. Aggregate household wealth has reached new highs, largely reflecting the recovery of the stock market, but home values have also begun to increase noticeably. With the improvement in household incomes and finances, many consumers have been able to borrow more, and aggregate debt has started to increase. In the current domestic U.S. economic environment, there is the potential for spending growth to further improve, leading to declines in unemployment and further gains in employment, income and wealth. However, European economies continue to face serious problems, posing risks for U.S. exporters, financial markets and institutions. Economic growth in China has recently slowed, in part reflecting internal financial concerns in that nation. Recent cuts in federal spending have inhibited aggregate economic growth, and questions about the implementation of the federal Patient Protection and Affordable Care Act ("PPACA") have likely elevated household and business uncertainty, further weighing on the vigor of the economic expansion. Finally, chronic tensions and violence in the Middle East have the potential to boost energy prices and dampen household spending power.

The June 2014 projections of the Federal Reserve System's Federal Open Market Committee members and participants anticipate the annualized rate of national real gross domestic product growth over the course of 2014 and 2015 to average more than 3% and the national unemployment rate to fall below 6%. The State's economy is expected to expand in 2014 and 2015 at a rate approximately in line with national trends. Inflation rates have continued to be low, reflecting continuing high rates of unemployment. It is anticipated that Federal Reserve policies will not provoke a substantial rise in the underlying rate of inflation, though, as has been the case a number of times in recent years, increases in energy, food, and other commodity prices may lead to short periods in which aggregate price indexes rise noticeably. The Federal Open Market Committee has also announced that increases in interest rates are highly unlikely in the near term, unless inflation rates are substantially higher than currently anticipated and expectations of inflation move up substantively.

The economic outlook hinges on the success of supportive national fiscal and monetary policies. Availability of credit, stability in the financial markets, and continued improvement in consumer and business confidence are critical factors necessary for the continuation of the economic turnaround nationally and in New Jersey. The State and the nation may experience some near-term deterioration in growth and the expected pace of economic expansion may decline if consumers, investors, and businesses are negatively affected by concerns regarding long-term federal budget sustainability, the implementation of any actions directed at near-term cuts in federal spending or increases in taxes, the impact of federal health care reform on business costs, lack of credit availability, U.S. and international financial market stresses, any slowdown in the pace of global economic recovery, and geopolitical tensions, particularly those which lead to any substantial restrictions on energy supplies from the Middle East. To a large extent, the future direction of the economy nationally and in the State hinges on the assumptions regarding the strength of the current economic recovery, energy prices, and stability in the financial markets.

Appendix-I-B contains various demographic and economic statistical tables for New Jersey and, where available, for neighboring states and the region.

CERTAIN CONSTITUTIONAL PROVISIONS

Budget Limitations

The State Constitution provides, in part, that no money shall be drawn from the State Treasury but for appropriations made by law and that no law appropriating money for any State purpose shall be enacted if the appropriations contained therein, together with all prior appropriations made for the same fiscal period, shall exceed the total amount of the revenue on hand and anticipated to be available to meet such appropriations during such fiscal period, as certified by the Governor (Article VIII, Sec. 2, para. 2). (For general information regarding the budget process, see "STATE FINANCES — New Jersey's Budget and Appropriation Process" herein; for the application of the budget process for Fiscal Year 2015, see "FINANCIAL RESULTS AND ESTIMATES" herein.)

Debt Limitations

The State Constitution further provides, in part, that the State Legislature shall not, in any manner, create in any fiscal year a debt or liability of the State, which, together with any previous debts or liabilities, shall exceed at any time one percent of the total appropriations for such year, unless the same shall be authorized by a law for some single object or work distinctly specified therein. No such law shall take effect until it shall have been submitted to the people at a general election and approved by a majority of the legally qualified voters voting thereon; provided, however, no such voter approval is required for any such law authorizing the creation of a debt for a refinancing of all or any portion of the outstanding debts or liabilities of the State, so long as such refinancing shall produce a debt service savings. Furthermore, any funds raised under these authorizations must be applied only to the specific object stated therein. The State Constitution provides as to any law authorizing such debt: "Regardless of any limitation relating to taxation in this Constitution, such law shall provide the ways and means, exclusive of loans, to pay the interest of such debt or liability as it falls due, and also to pay and discharge the principal thereof within thirty-five years from the time it is contracted; and the law shall not be repealed until such debt or liability and the interest thereon are fully paid and discharged." This constitutional provision does not apply to the creation of debts or liabilities for purposes of war, or to repel invasion, or to suppress insurrection or to meet emergencies caused by disaster or act of God (Article VIII, Sec. 2, para. 3) (the "Debt Limitation Clause").

The Debt Limitation Clause was amended by the voters on November 4, 2008. The amendment provides that, beginning after the effective date of the amendment, the State Legislature is prohibited from enacting any law that creates or authorizes the creation of a debt or liability of an autonomous State corporate entity, which debt or liability has a pledge of an annual appropriation as the means to pay the principal of and interest on such debt or liability, unless a law authorizing the creation of that debt or liability for some single object or work distinctly specified therein shall have been submitted to the people and approved by a majority of the legally qualified voters of the State voting thereon at a general election. The constitutional amendment does not require voter approval for any such law providing the means to pay the principal of and interest on such debt or liability subject to appropriations of an independent non-State source of revenue paid by third persons for the use of the single object or work thereof, or from a source of State revenue otherwise required to be appropriated pursuant to another provision of the State Constitution. Furthermore, voter approval is not needed for any law providing for the refinancing of all or a portion of any outstanding debts or liabilities of the State or of an autonomous State corporate entity provided that such law requires that the refinancing produces debt service savings.

STATE FINANCES

New Jersey's Accounting System

The Director of the Division of Budget and Accounting in the New Jersey Department of the Treasury (the "Budget Director") prescribes and approves the accounting policies of the State and directs their implementation.

The State prepares its financial statements in accordance with current standards that are outlined in the Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements — and*

Management's Discussion and Analysis — for State and Local Governments. The State's Comprehensive Annual Financial Report includes government-wide financial statements and fund financial statements. These statements present different views of the State's financial information. (See "COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2013," and the notes referred to therein (the "2013 CAFR") which has been separately filed with the Municipal Securities Rulemaking Board ("MSRB") and is incorporated by specific reference herein and is considered to be part of this Appendix I.) The 2013 CAFR presents the financial position and operating results of the State under generally accepted accounting principles ("GAAP") applicable to state and local governments as established by GASB. GASB is the standard setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in GASB's *Codification of Governmental Accounting and Financial Reporting Standards.*

The significant accounting policies followed by the State are described in the "Notes to the Financial Statements" set forth in the 2013 CAFR which is incorporated by specific reference herein.

Government-wide financial statements provide a broad view of the State's operations conforming to private sector accounting standards and provide both short-term and long-term information regarding the State's overall financial position through the fiscal year-end.

In addition to government-wide financial statements, the State prepares fund financial statements comprised of funds and component units with the State's funds divided into three categories — governmental, proprietary, and fiduciary.

Governmental Funds finance most Direct State Services, which support the normal operations of State government. The governmental funds financial statements focus on current inflows and outflows of expendable resources and the unexpended balances at the end of a fiscal year that are available for future spending. Governmental fund information helps determine whether or not there was an addition or a reduction in financial resources that can be spent in the near future to finance State programs.

The State's governmental funds are the General Fund, which receives revenues from taxes that are unrestricted by statute, most federal revenue and certain miscellaneous revenue items; the Property Tax Relief Fund, which receives revenues from the New Jersey Gross Income Tax and for revenues derived from a tax rate of 0.5% imposed under the Sales and Use Tax both of which are constitutionally dedicated toward property tax relief and reform; the Special Revenue Funds, which are used to account for resources legally restricted to expenditure for specified purposes; and the Capital Projects Funds, which are used to account for financial resources to be used for the acquisition or construction of major State capital facilities. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash.

Proprietary Funds are used to account for State business-type activities. Since these funds charge fees to external users, they are known as enterprise funds.

Fiduciary Funds, which include State pension funds, are used to account for resources held by the State for the benefit of parties outside of State government. Unlike other government funds, fiduciary funds are reported using the accrual basis of accounting.

Component Units-Authorities account for operations where the intent of the State is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where periodic measurement of the results of operations is appropriate for capital maintenance, public policy, management control or accountability. Component Units-Colleges and Universities account for the operations of the eleven State colleges and universities including their foundations and associations.

New Jersey's Budget and Appropriation Process

The State operates on a fiscal year beginning July 1 and ending June 30. For example, "Fiscal Year 2015" refers to the State's fiscal year beginning July 1, 2014 and ending June 30, 2015. New Jersey's budget process is comprehensive and inclusive, involving every department and agency in the Executive Branch, the Legislature, the Judicial Branch, and through a series of public hearings, the citizens of the State.

Pursuant to Article VIII, Section II, para. 2 of the State Constitution, no money may be drawn from the State Treasury except for appropriations made by law. In addition, all monies for the support of State government and all other State purposes, as far as can be ascertained or reasonably foreseen, must be provided for in one general appropriations law covering one and the same fiscal year. The State Legislature enacts an appropriations act on an annual basis (the "Appropriations Act") which provides the basic framework for the operation of the General Fund. No general appropriations law or other law appropriating money for any State purpose shall be enacted if the amount of money appropriated therein, together with all other prior appropriations made for the same fiscal year, exceeds the total amount of revenue on hand and anticipated to be available for such fiscal year, as certified by the Governor.

Budget Requests and Preliminary Projections

The budget process begins in the summer prior to the following fiscal year with preliminary projections of revenues and expenditures, which are the basis for development of budget targets for each branch, department and agency. Individual departments and agencies are required to prepare a funding plan or strategy for operating within the established target in the following fiscal year, which funding plan or strategy includes an analysis of the costs, benefits and priorities of every program.

Budget Director Review

On or before October 1 in each year, each Department, Board, Commission, Office or other Agency of the State must file with the Budget Director a request for appropriation or permission to spend specifying all expenditures proposed to be made by such spending agency during the following fiscal year. The Budget Director then examines each request and determines the necessity or advisability of the appropriation request. On or before December 31 of each year or such other time as the Governor may request, after review and examination, the Budget Director submits the requests, together with his or her findings, comments and recommendations, to the Governor.

Governor's Budget Message

The Governor's budget message (the "Governor's Budget Message") is presented by the Governor during an appearance before a joint session of the State Legislature which, by law, is convened on a date on or before the fourth Tuesday in February in each year. The Governor's Budget Message for Fiscal Year 2015 was delivered on February 25, 2014 (the "Governor's Fiscal Year 2015 Budget Message"). The Governor's Budget Message must include the proposed complete financial program of the State government for the next ensuing fiscal year and must set forth in detail each source of anticipated revenue and the purposes of recommended expenditures for each spending agency (*N.J.S.A.* 52:27B-20).

Legislative Review

The financial program included in the Governor's Budget Message is then subject to a process of legislative committee review. As part of such review, testimony is given by a number of parties. The Office of Legislative Services, which is an agency of the State Legislature, generally provides its own estimates of anticipated revenues which may be higher or lower than those included in the Governor's Budget Message, and the State Treasurer generally provides an updated statement of anticipated revenues in May of each year which may increase or decrease the amounts included in the Governor's Budget Message. In addition, various parties may release their own estimates of anticipated revenues and recommended expenditures to the media. After completion of the legislative committee review process, the budget, in the form of an appropriations bill, must be approved by the Senate and Assembly and must be submitted to the Governor for review. The Appropriations Act includes the General Fund, as well as certain Special Revenue Funds (Casino Control, Casino Revenue, Gubernatorial Elections, and Property Tax Relief). In addition to anticipated revenues, the Appropriations Act also provides for the appropriation of non-budgeted revenue, including primarily federal funds and a portion of the Energy Tax Receipts, to the extent such revenue may be received and permits the corresponding increase of appropriation balances from which expenditures may be made. These amounts are excluded from all tables except for the table entitled "EXPENDITURES" on page I-34.

Governor's Line-Item Veto Power

Upon such submission, the Governor may approve the bill, revise the estimate of anticipated revenues contained therein, delete or reduce appropriation items contained in the bill through the exercise of his or her line-item veto power, or veto the bill in its entirety. As with any gubernatorial veto, such action may be reversed by a two-thirds vote of each House of the State Legislature.

If a general appropriation law is not enacted prior to the July 1 deadline, under Article VIII, Section 2, para. 2 of the State Constitution, no money can be withdrawn from the State treasury. In addition, in such an event, no moneys, other than available amounts already held under bond financing documents will be available to make payments on obligations paid from State revenue subject to annual appropriation. See "OBLIGATIONS SUPPORTED BY STATE REVENUE SUBJECT TO ANNUAL APPROPRIATION" herein.

Fiscal Controls

The departments maintain legal control at the appropriation line item level and exercise budgetary control by individual appropriations and allocations within annual appropriations to various programs and major expenditure objects. Revisions to the Appropriations Act, reflecting program changes or interdepartmental transfers of an administrative nature, may be effected during the fiscal year with certain Executive and Legislative Branch approvals. Management may amend a department's budget with approval by the Budget Director; provided that under specific conditions, additional approval by the Office of Legislative Services is required. Only the State Legislature, however, may transfer appropriations between departments.

During the course of the fiscal year, the Governor may take steps to reduce State expenditures if it appears that revenues have fallen below those originally anticipated. There are additional means by which the Governor may ensure that the State does not incur a deficit.

Additionally, under the State Constitution, no supplemental appropriation may be enacted after adoption of the Appropriations Act except where there are sufficient revenues on hand or anticipated, as certified by the Governor, to meet such appropriation.

FINANCIAL RESULTS AND ESTIMATES

Audit Reports

The State Auditor is directed by statute (*N.J.S.A.* 52:24-4) to "examine and post-audit all the accounts, reports, and statements and make independent verifications of all assets, liabilities, revenues, and expenditures" of the State and its agencies. The 2013 CAFR, including the opinion of the State Auditor, has been separately filed with the MSRB, is incorporated by specific reference herein and is deemed a part of this Appendix I. The accounting and reporting policies of the State conform in all material respects to GAAP as applicable to governments.

Changes in Fund Balances

The following table sets forth a Summary of Revenues, Appropriations and Undesignated Fund Balances for the Fiscal Years ended June 30, 2011 through 2015, covering budgeted funds. The Undesignated Fund Balances are available for appropriation in succeeding fiscal years. There have been positive Undesignated Fund Balances in the General Fund at the end of each year since the State Constitution was adopted in 1947.

Amounts shown for Fiscal Years 2011 through 2013 are actual and final. Amounts shown for Fiscal Year 2014 in the following tables and charts are based upon revised estimates for revenues and lapses and includes supplemental appropriations and de-appropriations as of June 30, 2014 (which are subject to adjustment pending completion of the annual audit). Amounts shown for Fiscal Year 2015 are estimates as contained in the Fiscal Year 2015 Appropriations Act.

Budgeted State funds include the General Fund, the Property Tax Relief Fund, the Casino Revenue Fund, the Casino Control Fund and the Gubernatorial Elections Fund, but exclude federal funds and other non-budgeted funds. The Appropriations Act also provides for the appropriation of non-budgeted revenue, including primarily federal funds and a portion of the Energy Tax Receipts, to the extent such revenue is received and permits the corresponding increase of appropriation balances from which expenditures can be made. See "STATE FINANCES — New Jersey's Accounting System" above.

SUMMARY OF REVENUES, APPROPRIATIONS AND UNDESIGNATED FUND BALANCES — BUDGETED STATE FUNDS
($ Millions)

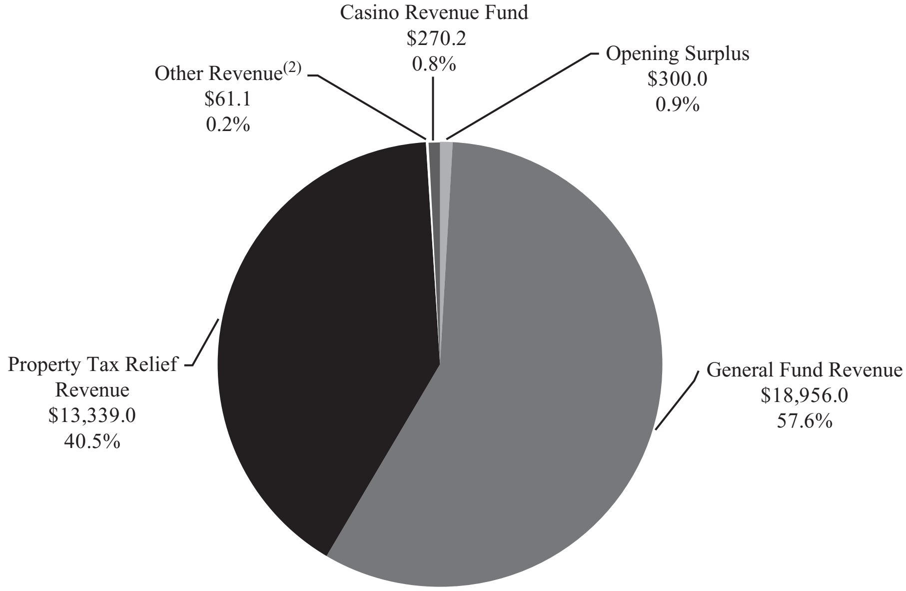
	2015 Estimated	2014 Estimated	2013 Actual	2012 Actual	2011 Actual
July 1st Beginning Balances					
General Fund	$ 300.0	$ 301.4	$ 441.4	$ 864.1	$ 794.2
Property Tax Relief Fund	—	8.6	2.4	5.8	10.0
Gubernatorial Elections Fund	—	—	1.0	0.5	—
Casino Control Fund	—	3.2	1.8	2.8	—
Casino Revenue Fund	—	—	—	—	—
Total Beginning Balances	300.0	313.2	446.6	873.2	804.2
Anticipated Revenue					
General Fund	18,956.0	18,500.3	17,894.8	17,043.6	17,098.4
Property Tax Relief Fund	13,339.0	12,729.0	12,758.4	11,751.7	11,233.7
Gubernatorial Elections Fund	0.7	0.7	0.4	0.5	0.5
Casino Control Fund	60.4	58.0	55.6	51.4	60.8
Casino Revenue Fund	270.2	229.7	214.9	239.3	266.2
Total Revenues	32,626.3	31,517.7	30,924.1	29,086.5	28,659.6
Total Resources	32,926.3	31,830.9	31,370.7	29,959.7	29,463.8
Other Adjustments					
General Fund					
Balances lapsed(1)	—	919.8	280.7	626.6	708.3
From (To) reserved fund balance	—	—	(24.5)	18.2	—
From (To) Property Tax Relief Fund	—	(204.0)	(25.2)	(266.8)	(336.5)
Budget vs GAAP Adjustment	—	—	(1.6)	78.1	(9.6)
From (To) Casino Revenue Fund	—	(153.9)	(68.7)	(5.0)	(3.4)
From (To) Gubernatorial Elections Fund	—	(10.0)	0.4	—	—
Corporation Business Tax - 4% Dedication	—	—	—	—	4.8
Property Tax Relief Fund					
Balances lapsed(1)	—	778.9	409.9	89.3	143.9
From (To) General Fund	—	204.0	25.2	266.8	336.5
Budget vs GAAP Adjustment	—	—	—	—	0.2
Gubernatorial Elections Fund					
Balances lapsed(1)	—	—	4.0	—	—
From (To) General Fund	—	10.0	(0.4)	—	—
Budget vs GAAP Adjustment	—	—	1.2	—	—
Casino Control Fund					
Balances lapsed(1)	—	—	1.1	3.5	6.8
Budget vs GAAP Adjustment	—	—	—	—	1.9
Casino Revenue Fund					
From (To) General Fund	—	153.9	68.7	5.0	3.4
Balances lapsed(1)	—	—	0.5	3.8	0.2
Budget vs GAAP Adjustment	—	—	(0.1)	—	0.1
Total Other Adjustments	—	1,698.7	671.2	819.5	856.6
Total Available	32,926.3	33,529.6	32,041.9	30,779.2	30,320.4
Appropriations					
General Fund	19,115.6	19,053.6	18,195.9	17,917.4	17,392.1
Property Tax Relief Fund	13,091.6	13,720.5	13,187.3	12,111.2	11,718.5
Gubernatorial Elections Fund	—	10.7	6.2	—	—
Casino Control Fund	60.4	61.2	55.3	55.9	66.7
Casino Revenue Fund	270.2	383.6	284.0	248.1	269.9
Total Appropriations	32,537.8	33,229.6	31,728.7	30,332.6	29,447.2
June 30th Ending Balances					
General Fund	140.4	300.0	301.4	441.4	864.1
Property Tax Relief Fund	247.4	—	8.6	2.4	5.8
Gubernatorial Elections Fund	0.7	—	—	1.0	0.5
Casino Control Fund	—	—	3.2	1.8	2.8
Casino Revenue Fund	—	—	—	—	—
Total Ending Balances(2)	$ 388.5	$ 300.0	$ 313.2	$ 446.6	$ 873.2

Notes:

(1) Upon the end of the fiscal year, any unexpended or unencumbered balance in an appropriation reverts (lapses) to the June 30th ending undesignated fund balance, unless otherwise provided for in the Appropriations Act.

(2) The ending undesignated fund balance for Fiscal Year 2014 and the opening undesignated fund balance for Fiscal Year 2015 are subject to adjustment pending completion of the annual audit. The ending undesignated fund balance for Fiscal Year 2015 may be revised as a result of changes in spending and/or anticipated revenues. See "FINANCIAL RESULTS AND ESTIMATES – Revenues" and "– Appropriations" herein.

Fiscal Year 2015 Anticipated Resources by Fund[(1)]
($ Millions)



Total - $32,926.3

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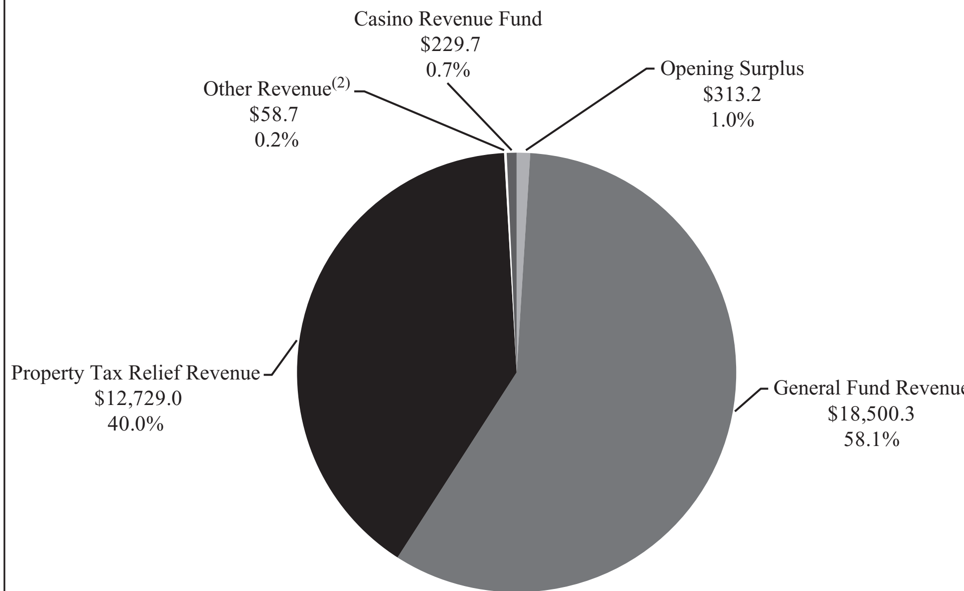
(1) Fiscal Year 2015 Anticipated Resources represent the total amount of estimated revenues for Fiscal Year 2015, as set forth in the Fiscal Year 2015 Appropriations Act, plus the total amount of estimated undesignated budgeted fund balances as of July 1, 2014.

(2) Other Revenue includes Casino Control Fund and Gubernatorial Elections Fund revenues.

Fiscal Year 2014 Adjusted Resources by Fund[1]
($ Millions)



Total - $31,830.9

(1) Fiscal Year 2014 Adjusted Resources represent the total amount of revenues for Fiscal Year 2014, subject to adjustment pending completion of the annual audit, plus the total amount of undesignated budgeted fund balances as of July 1, 2013.

(2) Other Revenue includes Casino Control Fund and Gubernatorial Elections Fund revenues.

Revenues

The following tables set forth actual revenues for Fiscal Years ended June 30, 2011 through 2013, and estimated revenues for Fiscal Years 2014 and 2015 for the General Fund, the Property Tax Relief Fund, the Gubernatorial Elections Fund, the Casino Control Fund and the Casino Revenue Fund, and such revenues as a percent of total revenue. The Fiscal Year 2014 estimates are subject to adjustment pending completion of the annual audit. The Fiscal Year 2015 estimates are as presented in the Fiscal Year 2015 Appropriations Act.

REVENUES
($ Millions)

	2015 Estimated	2014 Estimated	2013 Actual	2012 Actual	2011 Actual
General Fund:					
Sales and Use Tax	$ 9,068.0	$ 8,597.0	$ 8,235.1	$ 7,935.8	$ 7,765.1
Less: Property Tax Dedication	(693.0)	(660.0)	(629.8)	(603.8)	(598.4)
Net Sales and Use Tax	8,375.0	7,937.0	7,605.3	7,332.0	7,166.7
Motor Fuels Tax	541.0	536.0	524.6	539.7	524.2
Corporation Taxes	2,590.0	2,433.0	2,364.5	2,032.4	2,226.9
Motor Vehicle Fees	432.4	426.7	449.5	463.9	407.8
Cigarette Tax	180.8	226.0	246.9	288.4	227.2
Other Major Taxes	2,525.6	2,362.7	2,116.7	1,974.3	2,221.4
Medicaid Uncompensated Care Reimbursement	441.0	401.3	429.8	430.2	499.6
Other Miscellaneous Taxes, Fees and Revenues	2,313.7	2,343.5	2,233.2	2,125.8	2,133.5
Lottery Funds	1,036.8	965.0	1,085.0	950.1	930.0
Tobacco Litigation Settlement(1)	56.0	140.2	93.8	82.5	53.9
Other Transfers	463.7	728.9	745.5	824.3	707.2
Total General Fund(2)	18,956.0	18,500.3	17,894.8	17,043.6	17,098.4
Property Tax Relief Fund:					
Gross Income Tax	12,627.0	12,050.0	12,108.6	11,128.4	10,617.0
Plus: Property Tax Dedication	712.0	679.0	649.8	623.3	616.7
Gross Property Tax Relief Fund	13,339.0	12,729.0	12,758.4	11,751.7	11,233.7
Gubernatorial Elections Fund	0.7	0.7	0.4	0.5	0.5
Casino Control Fund	60.4	58.0	55.6	51.4	60.8
Casino Revenue Fund	270.2	229.7	214.9	239.3	266.2
Total	$32,626.3	$31,517.7	$30,924.1	$29,086.5	$28,659.6

(1) The State has transferred to the Tobacco Settlement Financing Corporation (the "Corporation"), a special purpose entity established pursuant to L. 2002, c. 32 (the "Act"), the State's right to receive all tobacco settlement receipts (the "TSRs") to be received by the State after December 1, 2003 from the multi-state Master Settlement Agreement ("MSA") which settled litigation with the participating tobacco companies. In January 2007, the Corporation issued its Tobacco Settlement Asset-Backed Bonds, Series 2007-1A Senior Current Interest Bonds (the "Series 2007-1A Bonds"), Series 2007-1B First Subordinate Capital Appreciation Bonds (the "Series 2007-1B Bonds") and Series 2007-1C Second Subordinate Capital Appreciation Bonds (the "Series 2007-1C Bonds," and together with the Series 2007-1A Bonds and the Series 2007-1B Bonds, the "Series 2007 Bonds"). The Corporation pledged 76.26% of the TSRs ("Pledged TSRs") as security for its Series 2007 Bonds. The remaining 23.74% of the TSRs (the "Unpledged TSRs") were not pledged to the Series 2007 Bonds and are payable to the State. On March 7, 2014, the Corporation entered into pledge agreements with respect to the Series 2007-1B and Series 2007-1C Bonds, whereby the Corporation agreed to pledge the Unpledged TSRs (the "Additional Pledged TSRs") to the Series 2007-1B and Series 2007-1C Bonds beginning on July 1, 2017. In consideration for entering into the pledge agreements, the Corporation received a one-time enhancement premium (net of costs) of approximately $91.6 million, which was then transferred by the Corporation to the State for deposit into the General Fund. Pursuant to the pledge agreements, the Additional Pledged TSRs will be used to optionally redeem the Series 2007-1B and Series 2007-1C Bonds. Beginning on July 1, 2017, the State will not receive any Unpledged TSRs (estimated to be approximately $40 million per year) until the Series 2007-1B and Series 2007-1C Bonds are fully paid, which is currently expected to occur in 2022. Fiscal Year 2011, 2012 and 2013 reflect actual payments and Fiscal Year 2014 and 2015 reflect estimated payments received or to be received by the State from Unpledged TSRs.

In each of the years 2006 through and including 2012 certain of the tobacco companies withheld a portion of their annual payment primarily based on claims, under the MSA, that the companies were entitled to a Non-Participating Manufacturer ("NPM") Adjustment from the settling states, of which the State is one, because the states did not diligently enforce their statutes which requires tobacco companies that did not enter into the settlement to make certain payments for in-state tobacco product sales. For each year, the withholding related to enforcement efforts for the entire calendar year, three years prior to the date of payment (e.g. the 2006 withholding was related to enforcement efforts in calendar year 2003). Because the MSA provides that states that are unsuccessful in the arbitration are responsible for the successful states' share of the NPM Adjustment, New Jersey was theoretically exposed to losing its entire MSA payment for each year it was unsuccessful in the arbitrations.

On November 5, 2011, the tobacco companies announced they were no longer claiming that the State did not diligently enforce its statute in 2003. However, because the State could not receive the benefit of that 2003 decision until all states had completed the multi-state arbitration and because the tobacco companies have continued to withhold their claimed NPM Adjustment for later years, it was unclear when the State would recover any of the sums withheld.

On December 14, 2012, the State joined in a settlement of the dispute for 2003 through 2012, as well as potential disputes for 2013 and 2014. In April 2013, pursuant to the settlement, the State received roughly $170 million more in 2013 MSA payments than it would have otherwise received, but will receive a total of roughly $75 million less from 2014 through 2017. Of these amounts, 76.26% constitute Pledged TSRs and 23.74% constitute Unpledged TSRs which are paid to the State for deposit in the General Fund. Some modest decreased payments can be expected in later years, but, as is always the case with long term projections of MSA payments, such payments are subject to too many variables to estimate the impact.

(2) Excludes Non-Budgeted Revenues which include primarily Federal Funds and a portion of the Energy Tax Receipts. Non-Budgeted Revenues are offset by matching appropriations; therefore, these Non-Budgeted Revenues do not affect the General Fund's undesignated fund balance.

REVENUES
(% of Total)

	2015 Estimated	2014 Estimated	2013 Actual	2012 Actual	2011 Actual
General Fund:					
Sales and Use Tax	27.8%	27.3%	26.6%	27.3%	27.1%
Less: Property Tax Dedication	(2.1)	(2.1)	(2.0)	(2.1)	(2.1)
Net Sales and Use Tax	25.7	25.2	24.6	25.2	25.0
Motor Fuels Tax	1.7	1.7	1.7	1.9	1.9
Corporation Taxes	7.9	7.7	7.7	7.0	7.8
Motor Vehicle Fees	1.3	1.4	1.5	1.6	1.4
Cigarette Tax	0.6	0.7	0.8	1.0	0.8
Other Major Taxes	7.7	7.5	6.8	6.8	7.8
Medicaid Uncompensated Care	1.4	1.3	1.4	1.4	1.7
Other Miscellaneous Taxes, Fees and Revenues	7.0	7.4	7.2	7.3	7.4
Lottery Funds	3.2	3.1	3.5	3.3	3.2
Tobacco Litigation Settlement	0.2	0.4	0.3	0.3	0.2
Other Transfers	1.4	2.3	2.4	2.8	2.5
Total General Fund	58.1	58.7	57.9	58.6	59.7
Property Tax Relief Fund:					
Gross Income Tax	38.7	38.2	39.1	38.3	37.0
Plus: Property Tax Dedication	2.2	2.2	2.1	2.1	2.2
Gross Property Tax Relief Fund	40.9	40.4	41.2	40.4	39.2
Gubernatorial Elections Fund	—	—	—	—	—
Casino Control Fund	0.2	0.2	0.2	0.2	0.2
Casino Revenue Fund	0.8	0.7	0.7	0.8	0.9
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Fiscal Year 2014 and Fiscal Year 2015 Estimated Resources

Sales and Use Tax — The Sales and Use Tax collections for Fiscal Year 2015 are estimated to increase 5.5% from Fiscal Year 2014. Sales and Use Tax growth is based upon the assumed ongoing expansion of the State's economy, which will continue to boost spending on taxable goods and services. In addition, growth in Sales and Use Tax collections is expected to increase due to the recent enactment of proposals to ensure that online businesses remit New Jersey Sales and Use Tax.

Gross Income Tax — The Gross Income Tax collections for Fiscal Year 2015 are estimated to increase 4.8% from Fiscal Year 2014. It is anticipated that Gross Income Tax collections will resume more normal rates of growth after the large shortfall seen in final payments at the end of Fiscal Year 2014. The shortfall appears to have reflected unexpectedly low realizations of capital gains in calendar year 2013, probably related to upper-income taxpayers shifting a larger amount of capital gains realizations from 2013 back to 2012 in a larger-than expected response to the January 1, 2013 increase in federal tax rates. The growth rate in Gross Income Tax collections in Fiscal Year 2015 is expected to be moderately higher than the rate of personal income growth for State residents, reflecting the State's progressive income tax rate structure.

Corporation Business Tax — The Corporation Business Tax collections for Fiscal Year 2015 are estimated to increase 6.5% from Fiscal Year 2014. Corporation Business Tax collection growth has been sluggish in this economic recovery, with large variations from year to year. The anticipated increase in growth in Fiscal Year 2015 partly reflects legislative changes designed to address the results of court decisions that have enabled corporations to limit their New Jersey liabilities, as well as an administrative initiative to step up collections. However, there is the potential that increased usage of recently-granted business tax incentives will limit the growth of Corporate Business Tax collections.

Casino Revenues — The Casino Revenue Fund accounts for the taxes imposed on the casinos and other related activities. They include casino parking fees, per room per day fees on casino hotel rooms, and a tax on multi-casino progressive slot machine revenue. Collections for Fiscal Year 2015 are estimated to increase 17.6% from Fiscal Year 2014, largely reflecting a step-up in revenues from Internet gaming. Recent announcements of closing of a number of Atlantic City casinos may impact the growth of casino revenues.

Non-Recurring Resources — The utilization of non-recurring resources totals approximately $1.2 billion and represents approximately 3.6% of Fiscal Year 2015 appropriations, a reduction from the 13.2% that supported Fiscal Year 2010 appropriations. Non-recurring resources include various fund transfers of $24.4 million, $43.5 million in business tax revenues which are anticipated to be collected in Fiscal Year 2015 but which, as a result of previously enacted business tax reductions, will not be collected in future years, and $150.0 million of legal settlements. The $1.2 billion in non-recurring resources also includes $1.0 billion in appropriation reductions and offsets: $391.4 million of debt restructuring/defeasance savings; $324.0 million of funding from the New Jersey Turnpike Authority that is being utilized to offset appropriations to New Jersey Transit; a $175.0 million non-appropriation of amounts relating to the Business Employment Incentive Program (See "OBLIGATIONS SUPPORTED BY STATE REVENUE SUBJECT TO ANNUAL APPROPRIATION"); and $50.0 million of professional boards revenue that is being used to offset the Department of Law and Public Safety salaries. Non-recurring resources do not include pension savings of $887 million in Fiscal Year 2014 and $1.45 billion in Fiscal Year 2015 resulting from the decision to fund the normal contribution only.

Revised Fiscal Year 2014 revenue estimates include approximately $91.6 million from the enhancement of certain tobacco bonds. The arrangement that produces this revenue will also result in a reduction of General Fund revenue over six or more years beginning in Fiscal Year 2017, and the prospect of substantial additional General Fund revenue beginning in Fiscal Year 2041. (See "FINANCIAL RESULTS AND ESTIMATES — Revenues – Footnote 1").

As shown in the table below, the reduced revenues received during the course of Fiscal Year 2014 required additional lapses in order to maintain an ending fund balance of $300 million.

Fiscal Year 2014 Fund Balance
(In Millions)

	Approp. Act for Fiscal Year 2014	Feb 2014 Revised(1)	June 2014 Revised
Beginning Balance	$ 467	$ 313	$ 313
Revenues			
Gross Income Tax	$13,039	$12,928	$12,050
Sales & Use Tax	8,680	8,680	8,597
Corporation Taxes	2,416	2,420	2,433
Other	8,678	8,535	8,438
Total Revenues	$32,813	$32,563	$31,518
Lapses	—	694	812
Pension	—	—	887*
Total Available	$33,280	$33,570	$33,530
Appropriations			
Original	$32,977	$32,977	$32,977
Supplemental	—	292	253
Total Appropriations	$32,977	$33,269	$33,230
Ending Balance	$ 303	$ 301	$ 300(2)

* Reflects the difference between a 3/7 pension payment of $1.582 billion and the final payment of $696 million to fund the employer normal cost.

(1) Represents amounts included in the Governor's Budget Message for Fiscal Year 2015.

(2) Represents the amount assumed for purposes of the Governor's Revenue Certification for the Fiscal Year 2015 Appropriations Act.

The table below shows the revenues, appropriations and the ending balance as calculated and projected for Fiscal Year 2015 in the Governor's Fiscal Year 2015 Budget Message and in the Fiscal Year 2015 Appropriations Act.

Fiscal Year 2015
(In Millions)

	FY 2015	
	Budget	**Approp. Act**
Beginning Balance	$ 301	$ 300
Revenues		
Gross Income Tax	$13,988	$12,627
Sales & Use Tax	9,212	9,068
Corporation Taxes	2,583	2,590
Other	8,664	8,341
Total Revenues	$34,447	$32,626
Lapses	—	—
Total Available	$34,748	$32,926
Appropriations		
Original	$34,435	$34,107
Supplemental	—	—
Pension	—	(1,569)
Total Appropriations	$34,435	$32,538
Ending Balance	$ 313	$ 388

Potential Impacts on Fiscal Year 2014 and Fiscal Year 2015 Revenues

Fiscal Year 2014 State revenue collections assumed at the time the Governor issued the Governor's Revenue Certification for the Fiscal Year 2015 Appropriations Act were estimated to be $1.3 billion lower than the original Fiscal Year 2014 estimate made at the time of the enactment of the Fiscal Year 2014 Appropriations Act based on actual collections through May 31, 2014, and assuming the remainder of Fiscal Year 2014 is in line with the projections. However, cash collections of major State revenues for Fiscal Year 2014 through the end of June, 2014 were $274.9 million less than at the time such certification was made. Corporate Business Tax collections were $208.0 million less than anticipated, and there were also shortfalls in proceeds from the State lottery ($41.0 million), the transfer-inheritance tax ($26.3 million), and casino revenues ($16.8 million). Sales and Use Tax collections were $46.7 million higher than anticipated, while Gross Income Tax collections were $5.0 million above target. The process of finalizing the Fiscal Year 2014 CAFR is ongoing and is subject to audit. Taking into account additional anticipated lapses in spending and other revenue adjustments, the State, at this time, continues to work toward, but cannot give assurances of, realizing a final undesignated fund balance of $300 million for Fiscal Year 2014.

In Fiscal Year 2014 casino revenues are less than anticipated by $153.9 million primarily due to Internet gaming getting off to a slower than anticipated start. The Fiscal Year 2015 Appropriations Act anticipates a $40.5 million increase in casino revenues from the reduced Fiscal Year 2014 amount. Virtually all of the anticipated increase reflects a substantial increase in the growth of Internet gaming, as it becomes more established in the marketplace. Recent announcements of closings of a number of Atlantic City casinos may negatively impact the growth of casino revenues.

State revenue collections for Fiscal Year 2015 as contained in the Fiscal Year 2015 Appropriations Act include an estimate of $150 million in settlements by the Department of Law & Public Safety. It is possible that these anticipated revenues will not be realized in Fiscal Year 2015.

Federal Aid

Actual federal aid receipts in the General Fund and Special Transportation Fund for Fiscal Years 2011 through 2013, which are non-budgeted revenues, amounted to $11,195.3 million, $10,665.0 million and $10,797.0 million, respectively. Federal receipts in the General Fund and the Special Transportation Fund for Fiscal Year 2014 are estimated as of June 30, 2014 to be $12,712.9 million. Such estimate is subject to adjustment pending completion of the annual audit. Federal receipts in the General Fund and the Special Transportation Fund for Fiscal Year 2015 as contained in the Fiscal Year 2015 Appropriations Act are estimated to be $14,546.7 million. Such federal aid receipts for Fiscal Year 2015 are composed of $8,695.6 million for health related family programs under Titles XIX and XXI, $444.3 million for social services block grants, $1,222.3 million for other human services, $832.6 million for Title I and other education, $469.1 million for labor, $2,260.3 million for transportation, and the remainder for all other federal aid programs.

The federal Disaster Relief Appropriations Act of 2013 (the "Disaster Relief Act"), which was signed into law on January 29, 2013, appropriated approximately $50.38 billion (later reduced by sequestration to $47.9 billion) to various federal agencies to assist states and local communities with the impacts of Super Storm Sandy, including funding provided directly to private homeowners and businesses. Leveraging available resources, New Jersey has launched more than 50 programs and initiatives to help Sandy-impacted homeowners, renters, businesses, and communities recover and rebuild.

The State is administering programs funded by a number of federal funding streams. Some of these funding streams require the State or other grantee to contribute a non-federal cost share, also known as "match." The following is a list of some of the major programs administered by the State that contain a non-federal cost share obligation, along with the State's intended means of satisfying the match: The Federal Emergency Management Agency's ("FEMA") Public Assistance program contains a 10 percent match requirement. As of August 8, 2014, FEMA has obligated approximately $352 million in connection with State Public Assistance projects. The State intends to address the vast majority of this match obligation using Community Development Block Grant – Disaster Recovery ("CDBG-DR") funding received from the U.S. Department of Housing and Urban Development. FEMA's Hazard Mitigation Grant Program contains a 25 percent match requirement. The State intends to address this match responsibility utilizing soft match generated by in-kind sources. Projects authorized by the Federal Highway Administration ("FHWA") carry a 10 to 20 percent non-federal cost share, depending on the project. Based on present projections, the State currently estimates that the non-federal cost share for FHWA projects will approach $66 million. The State intends to address this match obligation with CDBG-DR funds. The U.S. Environmental Protection Agency allocated $229 million to New Jersey to address the impacts to water and wastewater systems across New Jersey. The State intends to address the 20 percent match obligation with CDBG-DR funds. The U.S. Army Corps of Engineers ("Army Corps") received funding from the Disaster Relief Act to replenish previously constructed beaches, and also to fund the construction of previously authorized, but unconstructed engineered beach systems along the New Jersey coastline. Under the Act, previously authorized projects that received construction funds in the last three years are funded 100 percent by the Army Corps. All other previously-authorized, but unconstructed projects have a cost share of 35 percent. In addition, the Army Corps is studying certain regions to determine whether additional projects should be pursued. Generally, the Army Corps funds these studies at 50 percent. The State intends to finance this match obligation as provided by the Disaster Relief Act, which would require repayment from State resources. Currently it is anticipated that dedicated Shore Protection funding would support the match.

As recovery progresses, it is likely that some projections may understate or overstate the State's actual non-federal cost share needs across all federal funding sources. The State has appropriated $40 million to support any unanticipated costs, including expected problems identifying funding to support the non-federal cost share. To date, the State has expended approximately $16 million of the initial $40 million in funding, and anticipates the balance of funding available will be sufficient to support any unexpected funding issues related to Super Storm Sandy.

On August 8, 2014, the President signed HR 5021, which will extend federal highway funding through May 31, 2015. This is an interim solution until a long term plan can be agreed to by the Congress and the Obama Administration. It is assumed that funding will once again be continued beyond May 31, 2015. New Jersey's Transportation Capital program totals $3.7 billion, $1.5 billion of which is federally funded.

Appropriations

Appropriations–Fiscal Year 2011 through Fiscal Year 2015

The following table sets forth the composition of annual appropriations, including supplemental appropriations and de-appropriations (except for Fiscal Year 2015) in Fiscal Years 2011 through 2015, if any, from the General Fund, the Property Tax Relief Fund, the Gubernatorial Elections Fund, the Casino Control Fund and the Casino Revenue Fund. Should tax revenues be less than the amount anticipated in the annual Appropriations Act, the Governor may, pursuant to statutory authority, prevent any expenditure under any appropriation. The amounts for Fiscal Years 2011 through 2013 are actual and final. The amounts for Fiscal Year 2014 are based on appropriations contained in the Fiscal Year 2014 Appropriations Act, plus supplemental appropriations of $252.7 million, and are subject to adjustment pending completion of the annual audit. The amounts appropriated for Fiscal Year 2015 reflect the amounts shown in the Fiscal Year 2015 Appropriations Act.

APPROPRIATIONS FOR BUDGETED STATE FUNDS(1)
($ MILLIONS)

	For the Fiscal Year Ended June 30,				
	2015 Estimated	2014 Estimated	2013 Actual(2)	2012 Actual	2011 Actual
General Fund:					
Legislative Branch	$ 76.5	$ 76.8	$ 76.7	$ 73.7	$ 75.6
Chief Executive's Office	6.7	6.7	6.0	5.7	4.5
Department of:					
Agriculture	19.7	19.7	19.7	19.6	19.4
Banking and Insurance	64.0	64.0	63.5	63.0	59.7
Children and Families	1,095.9	1,060.0	1,074.2	1,058.4	1,045.9
Community Affairs	83.6	184.0	85.8	59.5	64.1
Corrections	1,047.4	1,089.0	1,077.8	1,090.4	1,080.7
Education	844.0	266.9	224.8	223.2	555.6
Environmental Protection	366.1	357.2	336.9	334.2	348.8
Health	361.0	370.8	334.3	1,222.3	1,213.3
Human Services	6,175.7	5,996.3	6,076.8	5,215.0	4,514.0
Labor and Workforce Development	163.7	158.1	157.0	154.5	156.7
Law and Public Safety	456.9	519.9	514.5	509.8	503.1
Military and Veterans Affairs	95.7	95.8	95.4	94.0	90.8
State	1,271.6	1,243.4	1,172.7	1,148.8	1,159.6
Transportation	1,349.5	1,366.4	1,135.9	1,311.5	1,252.8
Treasury	1,068.9	1,365.2	1,325.5	1,223.6	1,145.4
Miscellaneous Executive Commissions	0.8	0.8	1.0	1.0	1.3
Inter-Departmental Accounts — Employee Benefits and Miscellaneous	3,875.5	4,124.7	3,744.0	3,445.7	3,444.5
Judicial Branch	692.4	687.9	673.0	663.5	656.3
Total General Fund	$19,115.6	$19,053.6	$18,195.9	$17,917.4	$17,392.1
Property Tax Relief Fund:					
Department of:					
Community Affairs	$ 716.3	$ 576.4	$ 656.7	$ 686.0	$ 669.6
Corrections	22.5	—	—		
Education	11,186.9	12,229.1	11,542.6	10,407.5	10,298.3
Environmental Protection	2.7	—	—	—	—
Human Services	184.6	130.2	152.8	160.3	165.5
Law and Public Safety	2.0	—	—		
Treasury	976.6	784.8	835.2	857.4	585.1
Total Property Tax Relief Fund	$13,091.6	$13,720.5	$13,187.3	$12,111.2	$11,718.5

	For the Fiscal Year Ended June 30,				
	2015 Estimated	**2014 Estimated**	**2013 Actual(2)**	**2012 Actual**	**2011 Actual**
Gubernatorial Elections Fund	—				
Department of:					
Law and Public Safety	$ —	$ 10.7	$ 6.2	$ —	$ —
Total Gubernatorial Elections Fund	$ —	$ 10.7	$ 6.2	$ —	$ —
Casino Control Fund					
Department of:					
Law and Public Safety	$ 52.2	$ 53.0	$ 46.7	$ 46.8	$ 42.3
Treasury	8.2	8.2	8.6	9.1	24.4
Total Casino Control Fund	$ 60.4	$ 61.2	$ 55.3	$ 55.9	$ 66.7
Casino Revenue Fund					
Department of:					
Health	$ 0.5	$ 0.5	$ 0.5	$ 90.3	$ 108.0
Human Services	249.1	360.4	256.5	130.4	130.5
Labor and Workforce Development	2.2	2.2	2.2	2.2	2.2
Law and Public Safety	0.1	0.1	0.1	0.1	0.1
Transportation	18.3	20.4	24.7	25.1	29.1
Total Casino Revenue Fund	$ 270.2	$ 383.6	$ 284.0	$ 248.1	$ 269.9
Total Appropriations	$32,537.8	$33,229.6	$31,728.7	$30,332.6	$29,447.2

(1) Budgeted State Funds include the General Fund, the Property Tax Relief Fund, the Casino Revenue Fund, the Casino Control Fund and the Gubernatorial Elections Fund. These amounts do not reflect amounts included under the caption "Other Adjustments" in the table entitled "SUMMARY OF REVENUES, APPROPRIATIONS AND UNDESIGNATED FUND BALANCES — BUDGETED STATE FUNDS" above.

(2) Reflects the reorganization of some functions among the Departments of Children and Families, Community Affairs, Education, Health, Human Services, Law and Public Safety, State and Treasury.

The State has made appropriations for principal and interest payments for general obligation bonds for Fiscal Years 2011 through 2014 in the amounts of $204.7 million, $276.9 million, $410.6 million and $319.7 million, respectively. The Fiscal Year 2015 Appropriations Act includes an appropriation in the amount of $404.8 million, representing principal and interest payments for general obligation bonds. This appropriation reflects anticipated savings from utilizing available, uncommitted amounts held in general obligation bond funds, available bond premium from the sale of general obligation bonds in May 2013, normal increases in scheduled payments for existing general obligation bond debt service, and planned future issuances of bonds.

The Fiscal Year 2015 Appropriations Act also provides $2,907.2 million for debt service on obligations supported by State revenue subject to annual appropriation. This amount differs from the amounts shown on pages I-40 and I-41 due to appropriation offsets from reductions resulting from the refunding of debt service, taking into account projected increases in debt service due to planned future issuances of bonds and notes, premium from the sale of obligations supported by State revenue subject to annual appropriation, the termination of letters of credit and normal reductions in scheduled payments for existing debt service on such obligations.

Funding for the Fiscal Year 2015 Transportation Capital Plan includes $1,061.6 million in Transportation Trust Fund Authority (TTFA) bonds to be issued during the fiscal year. If all of such bonds are issued, for Fiscal Year 2016, the final year of the current five-year statutory authorization, the total remaining debt that could be issued would be limited to $626.8 million. The State is considering its options with respect to future transportation funding.

The total Fiscal Year 2015 appropriation for debt service on general obligation bonds and obligations supported by State revenue subject to annual appropriation is $3,312.0 million or approximately 10.2% of total State appropriations for Fiscal Year 2015. For more information, see "OUTSTANDING BONDED INDEBTEDNESS OF THE STATE" and "OBLIGATIONS SUPPORTED BY STATE REVENUE SUBJECT TO ANNUAL APPROPRIATION."

The Fiscal Year 2015 Governor's Budget Message provided a 3/7ths ($1.582 billion) and 4/7ths ($2.250 billion) actuarially recommended contribution for Fiscal Year 2014 and Fiscal Year 2015 respectively. In response to significant shortfalls in resources disclosed six weeks before the close of Fiscal Year 2014, the

Governor issued Executive Order No. 156 on May 20, 2014, which directed the Budget Director to place into reserve such amounts appropriated for the State's Fiscal Year 2014 pension contribution necessary to ensure that the State does not end Fiscal Year 2014 with a deficit. The reduction in resources in Fiscal Year 2014 also required an adjustment to spending levels in Fiscal Year 2015. As a result, the defined benefits pension contributions were adjusted to fund the employer normal cost of $695.7 million for Fiscal Year 2014 and $680.6 million for Fiscal Year 2015, generating appropriation reductions of $887 million and $1.569 billion per fiscal year, respectively. This resulted in net budget savings of $1.451 billion in Fiscal Year 2015 because of an associated reduction in revenues of $118.3 million, since the State is reimbursed by non-state funded programs for a portion of fringe benefit expenses paid from those programs. See "STATE FUNDING OF PENSION PLANS — State's Financial Responsibility to the Pension Plans — *Current and Historical Funding Status and Contributions,*" "FINANCIAL RESULTS AND ESTIMATES — Fiscal Year 2014 and Fiscal Year 2015 Estimated Resources," and "Potential Impacts on Fiscal Year 2014 and Fiscal Year 2015 Revenues" herein. See also "LITIGATION — *Pension Funding Litigation*."

The breakdown of the $680.6 million Fiscal Year 2015 appropriation for the State's defined benefit pension contribution on behalf of employees whose benefits are funded by the State is as follows: State ($216.0 million), PreK-12 education ($379.2 million), local government ($66.2 million), and higher education ($19.2 million). The pension contribution funds the entirety of the employer normal cost or the value of the accrued benefits for current employees during the corresponding plan year.

The Fiscal Year 2015 Appropriations Act appropriation for active and retired employees' health benefits includes $21.4 million to fund the Transitional Reinsurance Program Fee and the Patient Centered Outcomes Research Institute Fee as required by PPACA. The Fiscal Year 2015 Appropriations Act also anticipates total contributions of $338 million due to an increase in employee health contributions. This amount represents an additional savings of $105.5 million compared to Fiscal Year 2014. The 2011 pension and health benefits reforms (*L.* 2011, *c.* 78) changed employee contributions from a percentage of salary (1.5%) to a percentage of medical and prescription drug premium costs, whichever is greater. The premium-based contributions are being phased-in over a four year period. In Fiscal Year 2015, the last year of the phase-in, those percentages will range from 3% to 35%, based on employee salary.

The Fiscal Year 2015 Appropriations Act provides $8,580.6 million in PreK-12 formula aid, an increase of $6.6 million from Fiscal Year 2014. This increase largely supports enrollment growth for Preschool Education Aid. Fiscal Year 2015 also includes two new aid categories, each appropriated at $13.5 million to support enrollment changes in districts and the procurement of technology required for the new online Partnership for Assessment of Readiness for College and Careers ("PARCC") assessments. The methodologies used to calculate aid in both Fiscal Years 2014 and 2015 are different than the statutory funding formula.

Risks That May Lead to Increased Appropriations

Fiscal Year 2015 appropriations are based on an estimate of various costs. There are various factors that could result in expenditures significantly higher or lower than current forecasts. For example, medical costs for Medicaid and for State employee health care costs could fluctuate based on actual utilization rates and varying prescription drug prices and rebates. In addition, the State contracts with managed care organizations ("MCOs") to provide services to most Medicaid clients at an annual State cost of approximately $2.4 billion, which for the first time, includes the cost of the home and community-based services portion of managed long term services and supports. Finally, Medicaid resources assume recoveries from fraud, national settlements, and other sources that have been historically difficult to predict. Projected costs in these areas are closely monitored and constantly updated.

The Fiscal Year 2015 Appropriations Act reduced the Governor's recommendations for Executive Branch salary increases and FICA payments by a total of $40 million. Executive Branch agencies have been directed to assume no funding will be available for salary growth, and to manage their staffing levels accordingly.

The State is presently working to meet a September 30, 2014 deadline for compliance with federal Commercial Driver's License Information System ("CDLIS") modernization requirements. If the State's testing phase of the CDLIS modernization is not certified by the deadline, the federal government may withhold up to 5% of federal fiscal year 2015 highway funding (approximately $45 million to $55 million). The State is making every effort to achieve compliance by the deadline.

Fiscal Year 2014 snow removal costs were $128 million. The winter of 2013-2014 was extraordinarily snowy compared to past seasons. The Fiscal Year 2015 Appropriations Act includes a base allocation of $10.3 million for snow removal, and the Budget Director is authorized to provide supplemental appropriations for costs in excess of the base. Prior to Fiscal Year 2014, these annual supplementals had averaged approximately $20 million.

Any of these factors could result in increased State costs and could require supplemental appropriations. The State's projected Fiscal Year 2015 ending fund balance, $388 million, provides some flexibility to address such potential increased costs.

Appropriations of Federal Aid

The Fiscal Year 2015 Appropriations Act anticipates additional savings from the health care expansion implemented pursuant to PPACA. Since the State already has a very extensive Medicaid program, this expansion has the benefit of 100% federal funding for certain populations, such as FamilyCare adults and those on General Assistance, that the State had already been funding on a 50/50 basis with the federal government prior to January 1, 2014. The additional savings from a full year of 100% federal funding of these populations is estimated to reduce the State's Fiscal Year 2015 Medicaid costs by $206 million after accounting for additional costs from the individual mandate and associated tax penalties that may encourage additional enrollment in the regular Medicaid program, which will maintain its 50/50 State/federal cost share. However, other PPACA imposed fees will increase State Medicaid and State Health Benefits costs by $60.6 million. Due to the unprecedented nature of the individual mandate, actual costs related to enrollment could be significantly higher or lower than those estimated in the Fiscal Year 2015 Appropriations Act. While early enrollment figures for populations still funded with State funds have been lower than anticipated and have triggered downward revisions to projected costs, an unknown but believed to be significant number of applications are still awaiting eligibility determinations at county welfare agencies and may result in increased State costs. The State reserves the right to file a State plan amendment to withdraw from the program expansion which expanded medical coverage.

In addition, Medicaid disallowances may be issued in federal fiscal year 2014 (which ends September 30, 2014) or 2015 (which ends September 30, 2015) based on a series of federal Office of the Inspector General program audits of claim documentation and cost allocation methodologies. The Department of Human Services disputes these findings and is taking steps to minimize the final impact of these audits. Fourteen audits totaling approximately $407.5 million are currently in draft or final form, but due to possible revisions or appeals, the final amounts and timing of any repayments are uncertain. The State currently has reserved $68.2 million in federal revenues to offset these potential disallowances. See also "LITIGATION — Medicaid, Tort, Contract, Workers' Compensation and Other Claims."

Also ongoing is the effort to evaluate the effects of the federal Budget Control Act of 2011. However, the impact of the federal fiscal year 2015 reductions and the programs impacted cannot be determined until the federal fiscal year 2015 budget process is completed.

State Unemployment Insurance Trust Fund

In Fiscal Year 2014, the Unemployment Insurance Trust Fund (the "Trust Fund"), which provides funding for unemployment benefits in the State, received approximately $2.7 billion in contributions from employers and workers while paying out approximately $2.4 billion in regular, annual State unemployment benefits (excluding benefits paid entirely by the federal government) on a cash basis. In Fiscal Year 2015, contributions from employers and workers are expected to approximate $3.1 billion, while regular State unemployment benefits are expected to approximate $2.4 billion. The $3.1 billion estimate of contributions assumes no increases in tax rates compared to Fiscal Year 2014 (as further discussed below). As of July 11, 2014, the State's trust fund balance, on a cash basis, was $216.2 million.

Under State law, the State unemployment tax rate charged to employers during a fiscal year is determined by State statutory formula based on the status of the Trust Fund in relation to total taxable wages as of March 31st of the preceding fiscal year. For Fiscal Year 2015, the statutorily calculated employer tax rate will remain the same as it was for Fiscal Year 2014. The State began borrowing from the federal government to pay benefits in Fiscal Year 2009. As of July 11, 2014, there were no outstanding loans for unemployment insurance benefits and no borrowing is anticipated in Fiscal Year 2015. The Fiscal Year 2015 contributions estimate above assumes no increase in the State employer tax rate and the minimal base Federal Unemployment Tax Act (FUTA) rate of 0.6%. No change in the employee rate has occurred.

The following tables set forth appropriations by department and by major category for Fiscal Years 2015 and 2014.

APPROPRIATIONS FOR BUDGETED STATE FUNDS[(1)]
FOR THE FISCAL YEAR ENDING JUNE 30, 2015
($ MILLION)

Executive Branch	Direct State Services	Grants In-Aid	State Aid	Capital Construction	Debt Service	Total
Chief Executive	$ 6.7	$ —	$ —	$ —	$ —	$ 6.7
Agriculture	7.3	6.8	5.6	—	—	19.7
Banking and Insurance	64.0	—	—	—	—	64.0
Children and Families	278.2	817.7	—	—	—	1,095.9
Community Affairs	39.1	42.9	717.9	—	—	799.9
Corrections	942.6	104.8	22.5	—	—	1,069.9
Education	82.2	5.1	11,943.6	—	—	12,030.9
Environmental Protection	214.1	20.3	8.8	90.9	34.7	368.8
Health	47.4	314.1	—	—	—	361.5
Human Services	607.0	5,526.3	476.1	—	—	6,609.4
Labor and Workforce Development	93.4	72.5	—	—	—	165.9
Law and Public Safety	491.8	17.4	2.0	—	—	511.2
Military and Veterans' Affairs	93.1	2.6	—	—	—	95.7
State	28.3	1,219.0	24.3	—	—	1,271.6
Transportation	45.2	40.3	18.2	1,264.1	—	1,367.8
Treasury	470.1	776.1	437.4	—	370.1	2,053.7
Miscellaneous Commissions	0.8	—	—	—	—	0.8
Interdepartmental	2,547.4	1,109.4	—	218.7	—	3,875.5
Subtotal	6,058.7	10,075.3	13,656.4	1,573.7	404.8	31,768.9
Legislature	76.5	—	—	—	—	76.5
Judiciary	692.4	—	—	—	—	692.4
Grand Total	$6,827.6	$10,075.3	$13,656.4	$1,573.7	$404.8	$32,537.8

(1) Budgeted State Funds include the General Fund, the Property Tax Relief Fund, the Casino Revenue Fund, the Casino Control Fund, and the Gubernatorial Elections Fund. The appropriations are as contained in the Fiscal Year 2015 Appropriations Act.

ADJUSTED APPROPRIATIONS FOR BUDGETED STATE FUNDS(1)
FOR THE FISCAL YEAR ENDING JUNE 30, 2014
($ MILLIONS)

Executive Branch	Direct State Services	Grants In-Aid	State Aid	Capital Construction	Debt Service	Total
Chief Executive	$ 6.7	$ —	$ —	$ —	$ —	$ 6.7
Agriculture	7.3	6.8	5.6	—	—	19.7
Banking and Insurance	64.0	—	—	—	—	64.0
Children and Families	278.1	781.9	—	—	—	1,060.0
Community Affairs	39.1	41.6	679.7	—	—	760.4
Corrections	963.7	104.8	20.5	—	—	1,089.0
Education	77.2	3.4	12,415.4	—	—	12,496.0
Environmental Protection	215.6	20.3	8.9	90.9	21.5	357.2
Health	45.9	325.4	—	—	—	371.3
Human Services	638.0	5,347.8	501.1	—	—	6,486.9
Labor and Workforce Development	93.4	66.9	—	—	—	160.3
Law and Public Safety	555.6	28.1	—	—	—	583.7
Military and Veterans' Affairs	93.1	2.7	—	—	—	95.8
State	28.3	1,183.3	31.8	—	—	1,243.4
Transportation	132.7	73.2	20.3	1,160.6	—	1,386.8
Treasury	472.9	949.5	437.6	—	298.2	2,158.2
Miscellaneous Commissions	0.8	—	—	—	—	0.8
Interdepartmental	2,837.1	1,143.3	—	144.3	—	4,124.7
Subtotal	6,549.5	10,079.0	14,120.9	1,395.8	319.7	32,464.9
Legislature	76.8	—	—	—	—	76.8
Judiciary	687.9	—	—	—	—	687.9
Grand Total	$7,314.2	$10,079.0	$14,120.9	$1,395.8	$319.7	$33,229.6

(1) Budgeted State Funds include the General Fund, the Property Tax Relief Fund, the Casino Revenue Fund, the Casino Control Fund, and the Gubernatorial Elections Fund. Adjusted appropriations include supplemental appropriations made by the Legislature and approved by the Governor in addition to the appropriations contained in the Fiscal Year 2014 Appropriations Act. Lapses in appropriations, including $887 million in lapses relating to the contributions to the Pension Funds, are not included in the table above. See "SUMMARY OF REVENUES, APPROPRIATIONS AND UNDESIGNATED FUND BALANCES — BUDGETED STATE FUNDS" herein.

The following table sets forth, by major category, the original and enacted supplemental appropriations for Fiscal Years 2011 through 2014 and the appropriations for Fiscal Year 2015 as contained in the Fiscal Year 2015 Appropriations Act.

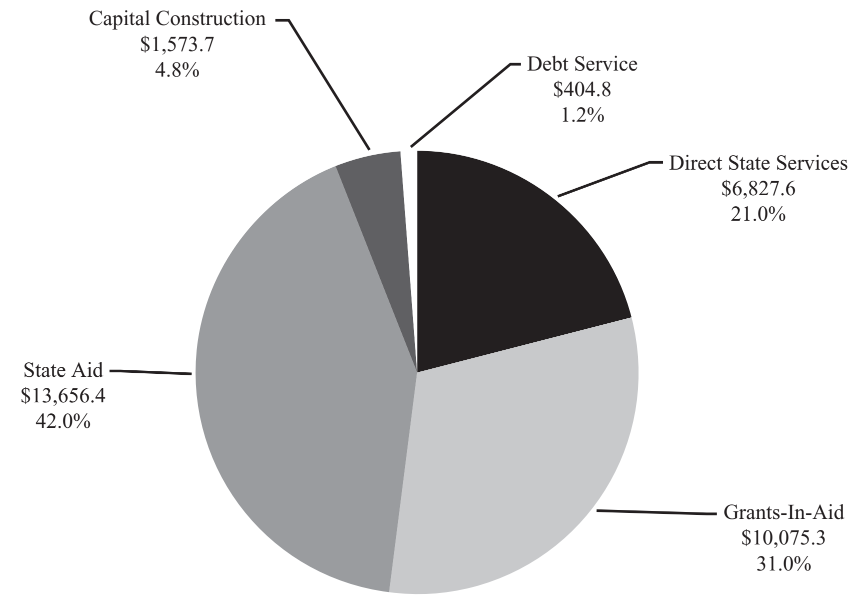
SUMMARY OF APPROPRIATIONS
($ Millions)

	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2011	Percentage Change From 2011 to 2015
State Aid	$13,656.4	$14,120.9	$13,358.8	$12,233.9	$12,506.3	9.2%
Grants-in-Aid	10,075.3	10,079.0	9,871.0	9,836.3	9,140.4	10.2%
Direct State Services	6,827.6	7,314.2	6,827.2	6,760.9	6,473.9	5.5%
Capital Construction	1,573.7	1,395.8	1,261.1	1,224.6	1,121.9	40.3%
Debt Service	404.8	319.7	410.6	276.9	204.7	97.8%
Total	$32,537.8	$33,229.6	$31,728.7	$30,332.6	$29,447.2	10.5%

(1) Adjusted appropriations for Fiscal Year 2014 reflect the addition of supplemental appropriations of $252.7 million as of June 30, 2014 as made by the Legislature and approved by the Governor. Lapses in appropriations, including $887 million in lapses for Fiscal Year 2014 relating to the contributions to the Pension Funds, are not reflected in the table above. See "SUMMARY OF REVENUES, APPROPRIATIONS AND UNDESIGNATED FUND BALANCES — BUDGETED STATE FUNDS" herein.

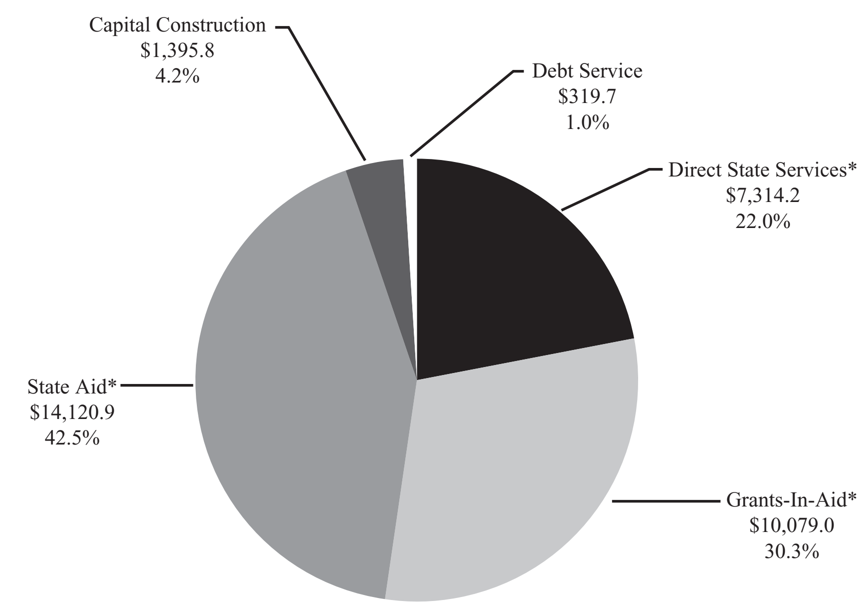
Of the total Fiscal Year 2015 decrease in appropriations of $691.8 million, the largest decrease, $486.6 million, is in Direct State Services. This 6.7% decrease reflects reductions in pension payments for State employees. The 3.3% decrease in State Aid is predominantly attributable to reductions in pension payments for school district employees. The 12.7% increase in Capital Construction is primarily due to increases in debt service on TTFA bonds and New Jersey Building Authority bonds. The 26.6% increase in Debt Service in Fiscal Year 2015 reflects normal increases in scheduled payments for existing general obligation bond debt service and planned future issuances of general obligation bonds.

Fiscal Year 2015 Appropriations by Use
($ in Millions)



Total - $32,537.8

Fiscal Year 2014 Adjusted Appropriations by Use
($ in Millions)



Total - $33,229.6

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* Does not include $887 million in lapses for Pensions.

Programs Funded Under Appropriations in Fiscal Year 2015

Of the $32,537.8 million appropriated for Fiscal Year 2015 from the General Fund, the Property Tax Relief Fund, the Casino Control Fund, the Casino Revenue Fund and the Gubernatorial Elections Fund, $13,656.4 million (42.0%) is appropriated for State Aid, $10,075.3 million (31.0%) is appropriated for Grants-in-Aid, $6,827.6 million (21.0%) is appropriated for Direct State Services, $1,573.7 million (4.8%) is appropriated for Capital Construction and $404.8 million (1.2%) is appropriated for Debt Service on State General Obligation Bonds. See "FINANCIAL RESULTS AND ESTIMATES — Appropriations" above.

State Aid

State Aid is the largest portion of Fiscal Year 2015 appropriations. These consist of payments to, or on behalf of, local government entities including counties, municipalities and school districts, to assist them in carrying out their local responsibilities.

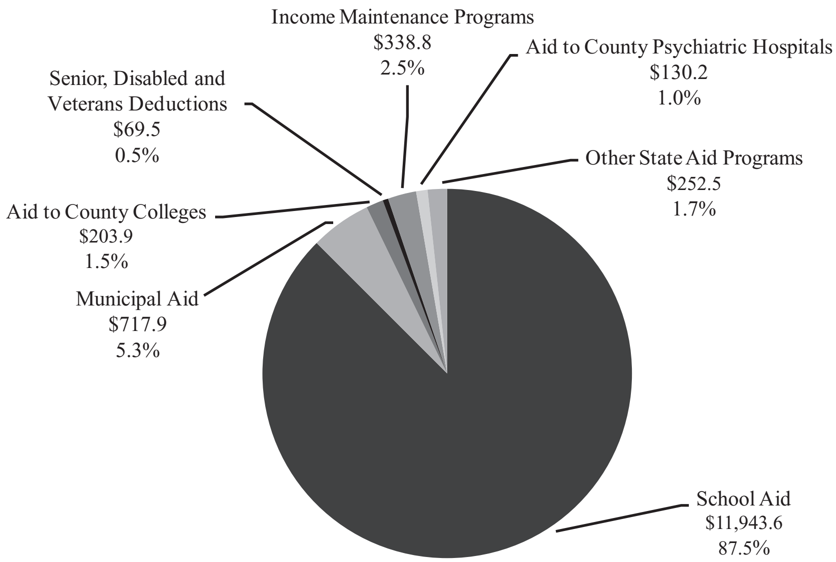
The largest State Aid appropriation, in the amount of $11,943.6 million, is appropriated for local preschool, elementary and secondary education programs. Of this amount, $8,580.6 million in formula aid for PreK-12 education, including School Choice Aid, will be distributed. Fiscal Year 2015 also includes two new aid categories, each appropriated at $13.5 million to support enrollment changes in districts and the procurement of technology required for the new online PARCC assessments. The methodologies used to calculate aid in both Fiscal Year 2014 and 2015 are different than the statutory funding formula. In addition to formula aid for PreK-12 education, $519.8 million is appropriated for debt service on School Construction Bonds issued by the New Jersey Economic Development Authority, $56.0 million is appropriated in School Building Aid to school districts, and $57.8 million is appropriated for School Construction Debt Service Aid to school districts. Also, $2,411.7 million is appropriated on behalf of school districts as the employers' share of the Social Security and teachers' pensions and benefits programs, including debt service on pension obligation bonds.

Appropriations to the Department of Community Affairs total $717.9 million in State Aid for Fiscal Year 2015. Consolidated Municipal Property Tax Relief Aid is appropriated in the amount of $575.9 million. These appropriations also include $121.5 million for the Transitional Aid to Localities program. Under this program, aid is awarded through a competitive process and requires recipient local units to submit to additional State oversight, with the goal of reducing reliance on this aid in the future.

Appropriations for the Department of Human Services total $476.1 million in State Aid for Fiscal Year 2015. The principal programs funded by these appropriations are $338.8 million for various income maintenance programs for the economically disadvantaged and $130.2 million for patients in county psychiatric hospitals.

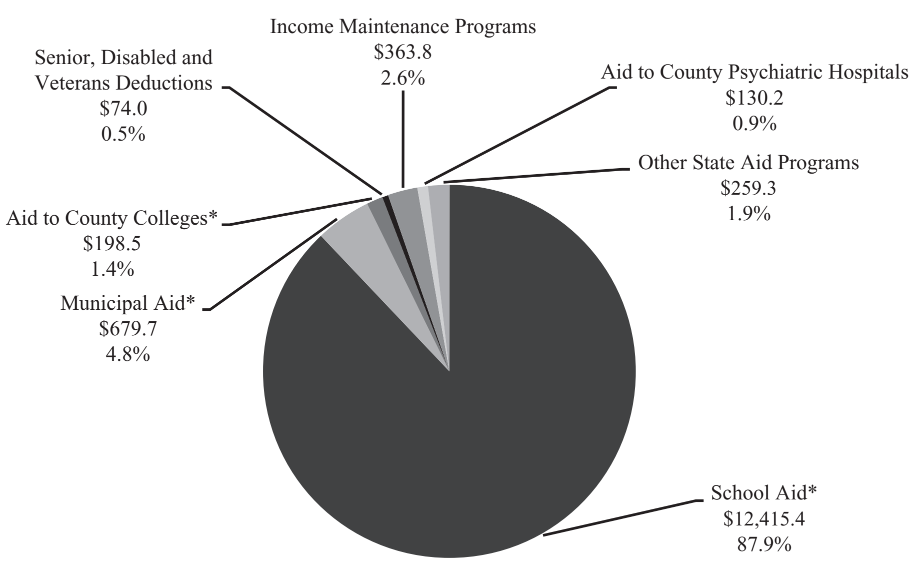
Appropriations for the Department of the Treasury total $437.4 million in State Aid for Fiscal Year 2015. The principal programs funded by these appropriations are aid to county colleges ($203.9 million) and the cost of property tax deductions paid to municipalities for seniors, citizens with disabilities, and veterans ($69.5 million). Also, $129.4 million is appropriated on behalf of local governments to fund a portion of the employers' share of certain police and firemen's pensions and benefits programs, including debt service on pension obligation bonds.

Fiscal Year 2015 State Aid Appropriations
($ in Millions)



Total - $13,656.4

Fiscal Year 2014 State Aid Adjusted Appropriations
($ in Millions)



Total - $14,120.9

* Does not include $553.4 million in lapses for Pensions.

Grants-in-Aid

The second largest portion of the appropriations in Fiscal Year 2015 is for Grants-in-Aid. These represent payments to individuals or public or private agencies for benefits to which a recipient is entitled by law or for the provision of services on behalf of the State. The amount appropriated in Fiscal Year 2015 for Grants-in-Aid is $10,075.3 million.

$5,526.3 million is appropriated for programs administered by the Department of Human Services. Of that amount, $4,087.9 million is for medical services provided under the Medicaid program (excluding FamilyCare), $663.4 million is for community programs for individuals with developmental disabilities, $373.3 million is for community programs for individuals with mental illness, $43.9 million is for health insurance for adults and children through the FamilyCare program, $172.0 million is for assistance programs for the economically disadvantaged and homeless, $74.6 million is for Pharmaceutical Assistance to the Aged and Disabled, $46.2 million is for other programs for the aged, and $32.9 million is for addiction services.

$776.1 million is appropriated for the Department of the Treasury. Included in this amount is $374.2 million for the Fiscal Year 2015 Homestead Benefit Program, which will provide credits directly on local property tax bills for eligible homeowners. Eligible seniors and disabled homeowners earning up to $150,000 and all other eligible homeowners earning up to $75,000 will receive benefits under the same formula as in Fiscal Year 2012. Also included in the appropriation is $199.6 million for the Senior and Disabled Citizens' Property Tax Freeze, which reimburses eligible senior and disabled homeowners earning up to $70,000 for increases in property taxes paid compared to their first year of program eligibility. Fiscal Year 2015 will be the fourth consecutive year of the current program. The appropriation for the Department of the Treasury also includes $63.8 million for energy assistance programs in the Board of Public Utilities. There is no appropriation in Fiscal Year 2015 for Business Employment Incentive Program ("BEIP") grants. See Note 10 in the 2013 CAFR for a discussion of long-term obligations concerning BEIP grants.

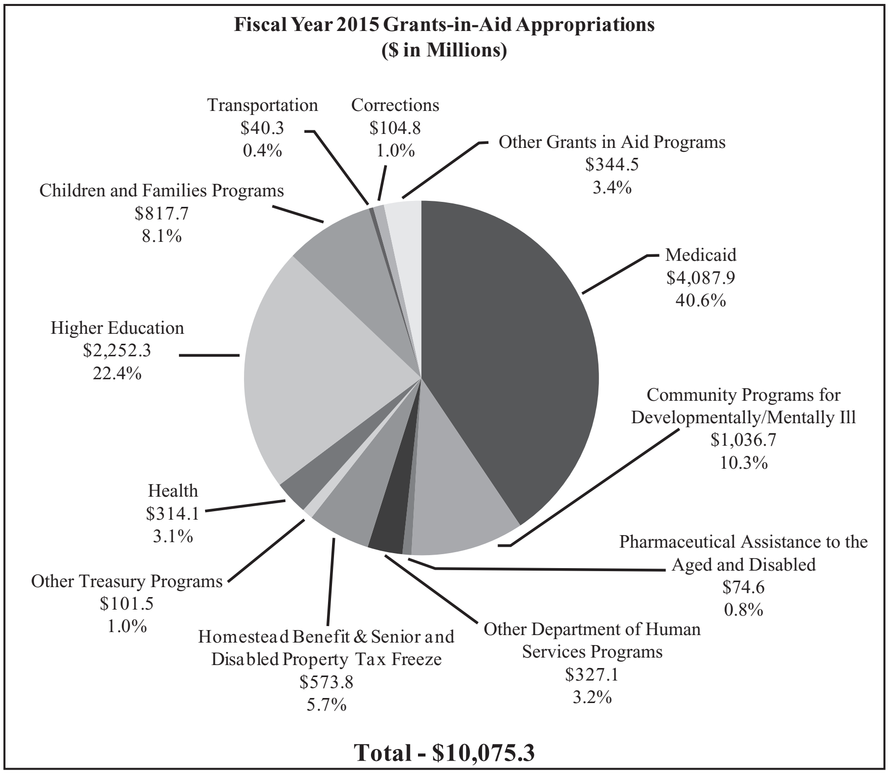
$817.7 million is appropriated for programs administered by the Department of Children and Families. Of that amount, $433.7 million is for child protective and permanency services, $320.0 million is for children's system of care services, and $64.0 million is for community programs intended to prevent child abuse and neglect.

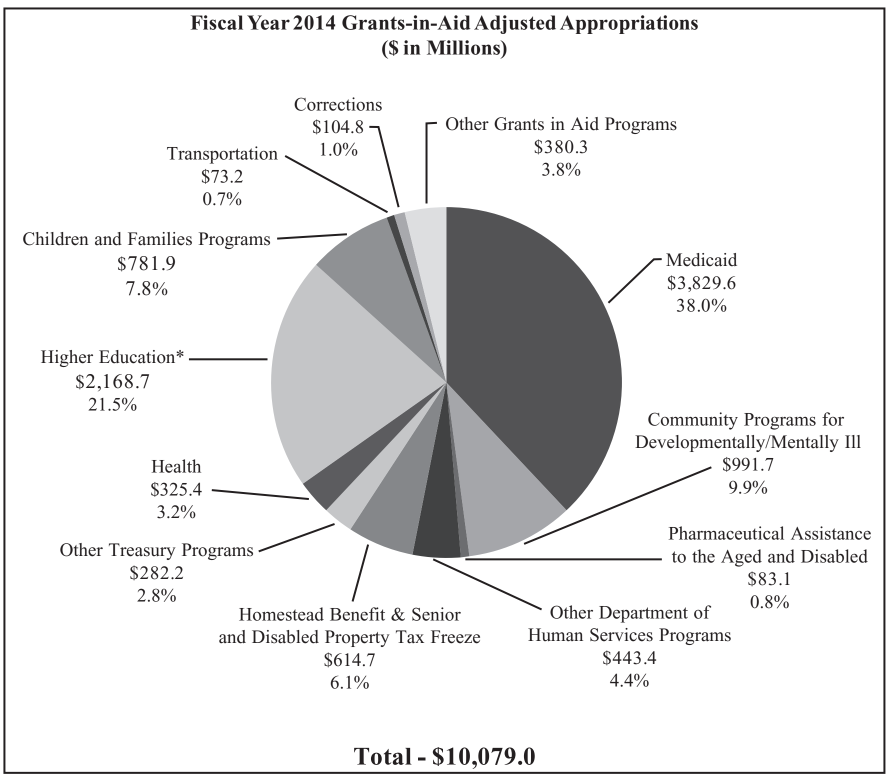
$734.8 million is appropriated for State colleges and universities. Other higher education appropriations are $563.3 million for various grant programs including $416.8 million for student financial assistance, $50.2 million for debt service on the Higher Education Capital Improvement Program, $48.4 million for debt service for the Dormitory Safety Trust Fund, the Equipment Leasing Fund, the Higher Education Facilities Trust Fund and the Higher Education Technology Infrastructure Fund, and $43.8 million for University Hospital. In addition, $954.2 million is appropriated for fringe benefit costs of employees of State higher education institutions.

$314.1 million is appropriated for programs administered by the Department of Health. Of that amount, $131.5 million is for Health Care Systems Analysis, $86.0 million is for the Early Childhood Intervention Program, $44.9 million is for Public Health Protection Services, and $21.7 million is for AIDS services.

$104.8 million is appropriated for the Department of Corrections (including the State Parole Board), consisting of $66.0 million for the purchase of community services, $36.1 million for alternative parole programs and $2.7 million for payments to county penal facilities to house State inmates.

$40.3 million is appropriated for the Department of Transportation for bus and railroad subsidies. The Fiscal Year 2015 appropriation for transit is supplemented by $295.0 million from the New Jersey Turnpike Authority and $32.9 million from the Clean Energy Fund.





* Does not include $25.9 million in lapses for Pensions.

Direct State Services

The third largest portion of the appropriations in Fiscal Year 2015 is to Direct State Services, which supports the operation of State government's departments, the Executive Office, several commissions, the State Legislature and the Judiciary. In Fiscal Year 2015, appropriations for Direct State Services aggregate to $6,827.6 million. Some of the major appropriations for Direct State Services during Fiscal Year 2015 are described below.

$2,169.9 million is appropriated in the Interdepartmental Accounts for fringe benefits for active and retired State employees, including health benefits ($1,406.7 million), pensions and non-contributory insurance ($261.4 million), employer taxes ($367.1 million), and a portion of the debt service on State Pension Funding bonds ($134.7 million) issued by the New Jersey Economic Development Authority. In addition, $62.5 million is appropriated for Fiscal Year 2015 to fund across-the-board ("ATB") salary increases and contractual employee increments for eligible employees. Contracts provide a 1.75% ATB for most civilian employees and ATB increases of 1% to 1.5% for most public safety employees. Ratified agreements do not provide any other salary increases in Fiscal Year 2015. For more information, see "STATE EMPLOYEES—Contract Status" herein.

$942.6 million is appropriated for the Department of Corrections (including the State Parole Board) and $491.8 million is appropriated for the Department of Law and Public Safety (including the Juvenile Justice Commission). Among programs funded by these appropriations are the administration of the State's correctional facilities and parole activities, and the investigative and enforcement activities of the State Police.

$607.0 million is appropriated for programs administered by the Department of Human Services. Of that amount, $467.4 million is appropriated for programs for individuals with mental illness and individuals with developmental disabilities, including the operation of four psychiatric institutions ($285.3 million), and seven developmental centers ($125.5 million); $43.1 million is appropriated for administration of the various income maintenance programs, including Work First New Jersey; and $36.1 million is appropriated for administration of the Medicaid program.

$278.2 million is appropriated for programs administered by the Department of Children and Families for various children's services programs.

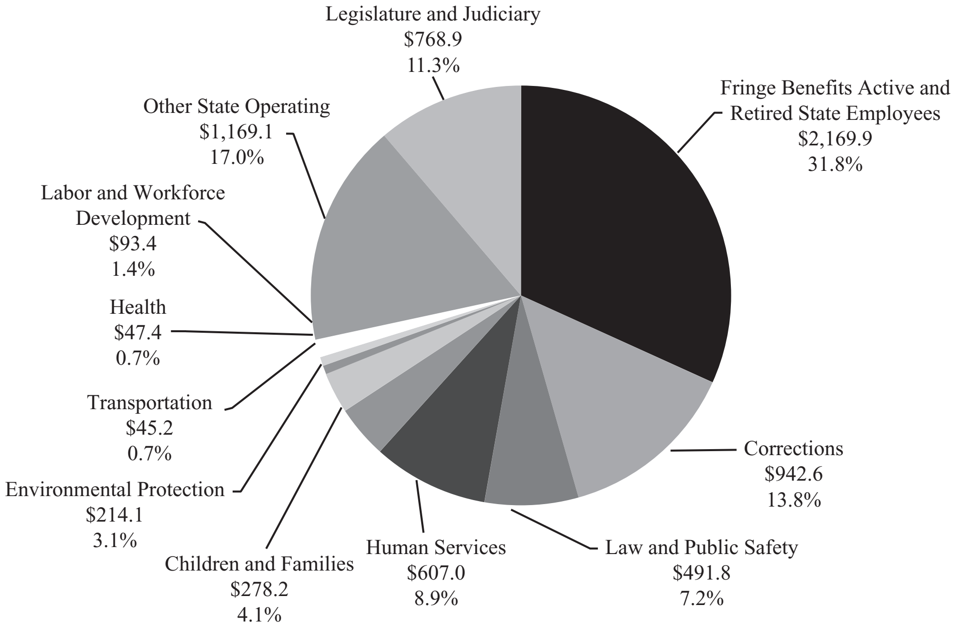
$214.1 million is appropriated for the Department of Environmental Protection for the protection of air, land, water, forest, wildlife and shellfish resources and for the provision of outdoor recreational facilities.

$93.4 million is appropriated for the Department of Labor and Workforce Development for the administration of programs for workers compensation, unemployment and temporary disability insurance, workforce development, health safety inspection, and the Civil Service Commission.

$47.4 million is appropriated for the Department of Health for the prevention and treatment of diseases, regulation of health care facilities and the uncompensated care program.

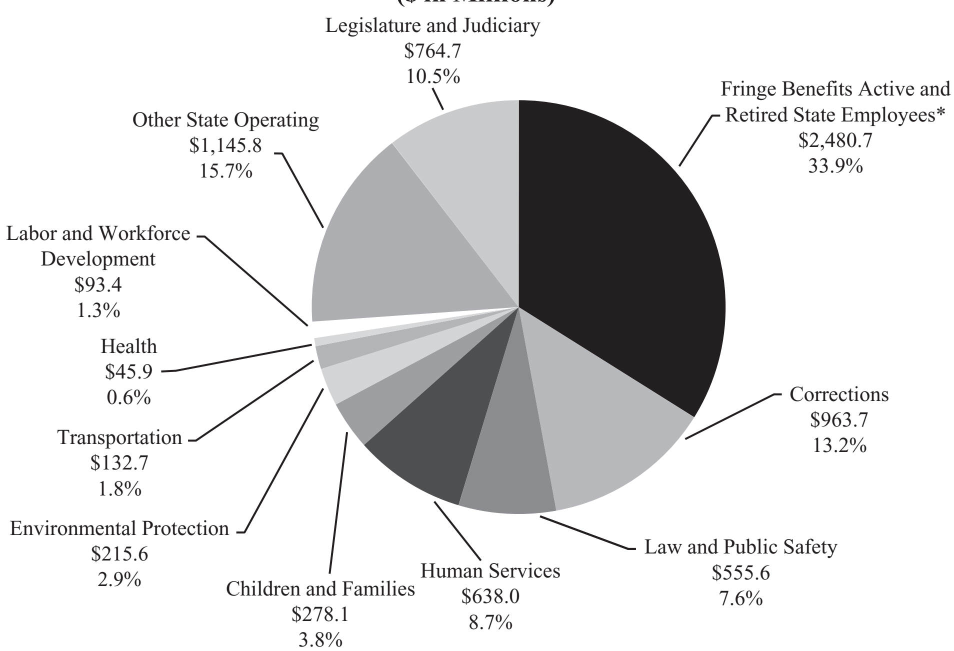
$45.2 million is appropriated for the Department of Transportation for the various programs it administers, such as the maintenance and improvement of the State highway system and winter operations.

Fiscal Year 2015 Direct State Services Appropriations
($ in Millions)



Total - $6,827.6

Fiscal Year 2014 Direct State Services Adjusted Appropriations
($ in Millions)



Total - $7,314.2

* Does not include $307.4 million in lapses for Pensions.

Capital Construction

Capital Construction is funded by a combination of “pay-as-you-go” appropriations and bond proceeds. The Fiscal Year 2015 Appropriations Act includes appropriations of $1,573.7 million for capital construction pay-as-you-go and debt service on bonds issued to fund capital construction. This amount includes $1,264.0 million for transportation capital construction, of which $1,260.0 million is for debt service credited to the Transportation Trust Fund Subaccounts of the General Fund. Of the remainder, $97.7 million is for payments for debt service on bonds issued for open space and farmland preservation and is being credited to the Garden State Preservation Trust Fund Account of the General Fund, and $101.9 million is for debt service on New Jersey Building Authority bonds. Pay-as-you-go appropriations include $43.4 million for hazardous substance remediation and brownfields, $31.5 million for shore protection and flood control projects, $16.0 million for capital improvements for parks, forestry and wildlife management areas, and $19.1 million for Statewide life safety and emergency projects.

All appropriations for such capital projects are subject to the prior review and recommendation of the New Jersey Commission on Capital Budgeting and Planning (the “Commission”). The Commission is charged with the preparation of the State’s seven-year Capital Improvement Plan. The Capital Improvement Plan is a detailed account of capital construction projects requested by State departments, agencies and institutions of higher education for the next three fiscal years and forecasts as to the requirements for capital projects for the four fiscal years following. The Capital Improvement Plan includes the Commission’s recommendations as to the priority of such capital projects and the means of funding them. The Capital Improvement Plan is also required to include a report on the State’s overall debt. This debt report includes information on the outstanding general obligation debt and debt service costs for the prior fiscal year, the current fiscal year, and the estimated amount for the subsequent five fiscal years. The report also provides similar information on capital leases and installment obligations. L.2009, c.304, enacted in January 2010, requires that the debt report also include data on other State liabilities as reported in the CAFR, as well as the unfunded actuarial accrued liability for pension plans and the actuarial accrued liability for other post-employment medical benefits.

For Fiscal Year 2015, requests for Capital Construction funding were substantially greater than the amount recommended by the Commission. The appropriations for Capital Construction contained in the Fiscal Year 2015 Appropriations Act are largely based on the recommendations of the Commission. There can be no assurance that the amounts appropriated are sufficient to maintain or improve the State’s capital facilities and infrastructure assets, or that such capital funding requests will not be substantially greater in future years.

Debt Service on General Obligation Bonds

The State finances certain capital projects through the sale of general obligation bonds of the State. These bonds are backed by the faith and credit of the State. Certain State tax revenues and certain other fees are pledged to meet the principal payments, interest payments, and redemption premium payments, if any, required to fully pay the bonds. For a listing of bonded indebtedness that was authorized and outstanding as of June 30, 2014, see “OUTSTANDING BONDED INDEBTEDNESS OF THE STATE” herein. The appropriation for debt service on the State’s general obligation bonds is $404.8 million for Fiscal Year 2015, and reflects anticipated savings from utilizing available, uncommitted amounts held in general obligation bond funds and available bond premium from the sale of general obligation bonds in May 2013. The appropriation also reflects normal increases in scheduled payments for existing general obligation bond debt service, and planned future issuances of bonds. For more information, see “FINANCIAL RESULTS AND ESTIMATES — Appropriations” above.

Expenditures

As used herein, the term “expenditures” refers to a fiscal year’s net disbursements plus amounts obligated for payment in a subsequent fiscal year for both budgeted and non-budgeted funds. See “STATE FINANCES — New Jersey’s Budget and Appropriation Process.” The table on page I-34 displays the expenditures for Fiscal Years 2011 through 2013.

Expenditures exceed the dollar amounts enumerated in the annual appropriations acts by reason of and only to the extent of specific provisions in the authorizing acts which appropriate (or permit the expenditure of) unexpended balances of prior appropriations, certain cash receipts (such as student service fees and extension fees at State colleges) and most federal aid. Such unexpended balances, cash receipts and federal aid are not included in the tables of appropriations or revenues previously presented herein.

EXPENDITURES
($ Millions)

	For the Fiscal Year Ended June 30		
	2013	2012	2011
General Fund:			
Legislative Branch	$ 76.7	$ 78.4	$ 77.9
Chief Executive's Office	7.4	7.3	6.8
Department of:			
Agriculture	415.0	402.0	382.6
Banking and Insurance	58.2	60.7	60.3
Children and Families	1,590.4	1,519.7	1,529.8
Community Affairs	963.3	554.6	678.1
Corrections	1,145.8	1,143.3	1,180.5
Education	1,100.2	1,191.2	1,845.6
Environmental Protection	477.5	508.9	467.0
Health	1,742.2	3,266.7	3,322.3
Human Services	12,828.1	11,184.7	10,851.0
Labor and Workforce Development	837.6	798.7	818.2
Law and Public Safety	1,254.8	1,136.0	1,078.8
Military and Veterans' Affairs	147.9	135.5	134.8
State	1,217.8	1,189.7	1,192.6
Transportation	1,987.5	1,834.2	1,588.7
Treasury	2,626.2	2,760.7	2,568.3
Miscellaneous Executive Commissions	1.0	1.0	1.3
Interdepartmental Accounts	3,787.4	3,324.1	3,271.8
Judicial Branch	839.4	817.2	799.4
Total General Fund	$33,104.4	$31,914.6	$31,855.8
Property Tax Relief Fund:			
Department of:			
Community Affairs	$ 358.8	$ 424.7	$ 428.8
Education	11,511.1	10,791.0	9,638.5
Human Services	152.8	160.3	165.5
Treasury	734.4	803.4	581.1
Total Property Tax Relief Fund	$12,757.1	$12,179.4	$10,813.9
Gubernatorial Elections Fund	$ 1.8	$ —	$ —
Casino Control Fund:			
Department of:			
Law and Public Safety	$ 46.3	$ 44.8	$ 39.5
Treasury	7.9	7.6	21.2
Total Casino Control Fund	$ 54.2	$ 52.4	$ 60.7
Casino Revenue Fund:			
Department of:			
Health	$ 0.5	$ 170.4	$ 150.5
Human Services	291.8	130.5	130.5
Labor and Workforce Development	2.2	2.2	2.2
Law and Public Safety	0.1	0.1	0.1
Transportation	24.7	25.1	29.1
Total Casino Revenue Fund	$ 319.3	$ 328.3	$ 312.4
Total Expenditures	$46,236.8	$44,474.7	$43,042.8

Balance Sheets

The comparative balance sheets for the General Fund as of June 30, 2013 and 2012 and the balance sheets of the Casino Control Fund, the Casino Revenue Fund, the Gubernatorial Elections Fund and the Property Tax Relief Fund as of June 30, 2013 are set forth below:

GENERAL FUND
COMPARATIVE BALANCE SHEETS
(Audited)

	As of June 30	
	2013	**2012**
ASSETS		
Cash and cash equivalents	$ 65,261,530	$ 30,861,411
Investments	430,051,201	594,553,915
Receivables, net of allowances for uncollectibles		
Federal government	705,586,511	458,583,519
Departmental accounts	2,122,843,099	1,985,912,853
Loans	25,224,284	24,461,703
Other	160,812,592	172,823,084
Due from other funds	801,835,117	867,840,869
Other	19,027,387	4,986,001
Total Assets	$4,330,641,721	$4,140,023,355
LIABILITIES		
Accounts payable and accruals	$1,641,208,046	$1,371,923,310
Deferred revenue	310,734,895	269,582,724
Due to other funds	197,731,894	237,539,106
Other	131,977,341	200,483,708
Total Liabilities	$2,281,652,176	$2,079,528,848
Fund Balances		
Restricted	$ 82,643,138	$ 90,024,387
Committed	1,664,928,544	1,529,098,445
Unassigned	301,417,863	441,371,675
Total Fund Balances	$2,048,989,545	$2,060,494,507
Total Liabilities and Fund Balances	$4,330,641,721	$4,140,023,355

See the 2013 CAFR incorporated herein by reference, for the notes which are an integral part of these financials statements and for further information concerning the other funds of the State.

BALANCE SHEETS
AS OF JUNE 30, 2013
(Audited)

	Casino Control Fund(1)	Casino Revenue Fund(2)	Gubernatorial Elections Fund(3)	Property Tax Relief Fund(4)
ASSETS				
Cash and cash equivalents	$ 50,351	$ —	$—	$ —
Receivables, net of allowances for uncollectibles				
Department accounts	10,368,266	47,910,475	—	557,993,345
Due from other funds	9,164,581	35,408,963	—	8,951,932
Total Assets	$19,583,198	$83,319,438	$—	$566,945,277
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable and accruals	$ 4,429,175	$14,899,561	$—	$ 41,602,288
Deferred revenue	9,406,000	12,000	—	—
Due to other funds	—	34,068,746	—	290,043,758
Other	—	—	—	224,460,392
Total Liabilities	$13,835,175	$48,980,307	$—	$556,106,438
Fund Balances				
Committed	5,748,023	34,339,131	—	10,838,839
Total Fund Balances	$ 5,748,023	$34,339,131	$—	$ 10,838,839
Total Liabilities and Fund Balances	$19,583,198	$83,319,438	$—	$566,945,277

(1) The Casino Control Fund is used to account for fees from the issuance and annual renewal of casino licenses. Appropriations are made to fund the operations of the Casino Control Commission and the Division of Gaming Enforcement. The Casino Control Fund was established by *N.J.S.A.* 54:12-143, approved June 2, 1977.

(2) The Casino Revenue Fund is used to account for the tax on gross revenues generated by the casinos. Gross revenue refers to the total of all sums actually received by a licensee from gaming operations, less the total sums paid out as winnings to patrons. Appropriations from this fund must be used for reductions in property taxes, utility charges and other expenses of eligible senior citizens and disabled residents. The Casino Revenue Fund was established by *N.J.S.A.* 54:12-25, approved June 2, 1977.

(3) The Gubernatorial Elections Fund is used to account for receipts from the dollar designations on New Jersey Gross Income Tax returns. When indicated by the taxpayer, one dollar of the tax is reserved from Gross Income Tax revenues and credited to the Gubernatorial Elections Fund. These funds are available for appropriation pursuant to The New Jersey Campaign Contributions and Expenditures Reporting Act (P.L. 1973, c.83), as amended. The Gubernatorial Elections Fund was established by the New Jersey Gross Income Tax Act, *N.J.S.A.* 54A:9-25, approved July 8, 1976.

(4) The Property Tax Relief Fund is used to account for revenues from the New Jersey Gross Income Tax and for revenues derived from a tax rate of 0.5% imposed under the Sales and Use Tax that is constitutionally dedicated toward property tax reform. Revenues realized from the Gross Income Tax and derived from a tax rate of 0.5% imposed under the Sales and Use Tax are dedicated by the State Constitution. All receipts from taxes levied pursuant to the New Jersey Gross Income Tax on personal income of individuals, estates, and trusts must be appropriated exclusively for the purpose of reducing or offsetting property taxes. Annual appropriations are made from the Fund, pursuant to formulas established by the State Legislature, to counties, municipalities and school districts. The Property Tax Relief Fund was established by the New Jersey Gross Income Tax Act, *N.J.S.A.* 54A:9-25, approved July 8, 1976.

OUTSTANDING BONDED INDEBTEDNESS OF THE STATE

The following table sets forth the authorized and outstanding general obligation bonded indebtedness of the State as of June 30, 2014. As of June 30, 2013, the total amount outstanding was $2,400,910,000. See also "OBLIGATIONS SUPPORTED BY STATE REVENUE SUBJECT TO ANNUAL APPROPRIATION" and "MORAL OBLIGATION FINANCING" herein.

Bond Act	Year Authorized	Final Maturity	Amount Authorized	Amount Unissued	Amount Retired (1)	Amount Outstanding
Clean Waters	1976	2023	$ 120,000,000	$ 3,400,000	$ 116,020,000	$ 580,000
State Land Acquisition and Development	1978	2022	200,000,000	—	199,350,000	650,000
Natural Resources	1980	2023	145,000,000	9,600,000	132,445,000	2,955,000
Energy Conservation	1980	2023	50,000,000	1,600,000	48,340,000	60,000
Water Supply	1981	2023	350,000,000	73,150,000	268,275,000	8,575,000
Hazardous Discharge	1981	—	100,000,000	43,000,000	57,000,000	—
New Jersey Green Acres	1983	—	135,000,000	14,500,000	120,500,000	—
Pinelands Infrastructure Trust	1985	2023	30,000,000	6,750,000	22,715,000	535,000
Hazardous Discharge	1986	2033	200,000,000	38,000,000	152,305,000	9,695,000
Green Acres, Cultural Centers and Historic Preservation	1987	2022	100,000,000	1,000,000	95,255,000	3,745,000
Jobs, Education & Competitiveness	1988	2015	350,000,000	—	349,600,000	400,000
New Jersey Open Space Preservation	1989	2023	300,000,000	22,600,000	275,475,000	1,925,000
Public Purpose Buildings and Community-Based Facilities Construction	1989	2015	125,000,000	5,000,000	119,545,000	455,000
Stormwater Management and Combined Sewer Overflow Abatement	1989	2033	50,000,000	9,500,000	32,980,000	7,520,000
New Jersey Green Acres, Clean Water, Farmland & Historic Preservation	1992	2023	345,000,000	12,880,000	321,235,000	10,885,000
Developmental Disabilities Waiting List Reduction and Human Services Facilities Construction	1994	2023	160,000,000	—	154,970,000	5,030,000
Green Acres, Farmland and Historic Preservation, and Blue Acres	1995	2033	340,000,000	18,000,000	309,670,000	12,330,000
Port of New Jersey Revitalization, Dredging Environmental Cleanup, Lake Restoration, and Delaware Bay Area Economic Development	1996	2033	300,000,000	87,500,000	139,085,000	73,415,000
Statewide Transportation and Local Bridge	1999	2023	500,000,000	—	478,550,000	21,450,000
Dam, Lake, Stream, Flood Control, Water Resources and Wastewater Treatment Project	2003	2033	200,000,000	38,750,000	99,250,000	62,000,000
Green Acres, Farmland, Blue Acres, and Historic Preservation	2007	2033	200,000,000	27,500,000	82,285,000	90,215,000
Green Acres, Water Supply and Floodplain Protection and Farmland and Historic Preservation	2009	2033	400,000,000	230,500,000	5,200,000	164,300,000
Building Our Future	2012	2033	750,000,000	650,000,000	3,065,000	96,935,000
Refunding (2)	1985	2023	6,134,329,598	—	4,550,519,598	1,583,810,000
Totals			$11,584,329,598	$1,293,230,000	$8,133,634,598	$2,157,465,000

(1) The amounts shown under the "Amount Retired" column include bonds for which provision for payment has been made through the issuance of refunding bonds.

(2) The amount shown under the "Amount Authorized" column represents the aggregate amount of refunding bonds issued. The Refunding Bond Act does not limit the amount of refunding bonds which may be issued, provided certain other restrictions are met. The issuance of refunding bonds may defease bonds previously issued under any bond act.

The following table sets forth the future debt service on outstanding general obligation bonds as of June 30, 2014.

Fiscal Year	Principal	Interest	Total
2015	$ 309,770,000	$ 98,826,888	$ 408,596,888
2016	363,025,000	82,809,831	445,834,831
2017	235,120,000	67,242,963	302,362,963
2018	218,040,000	55,697,341	273,737,341
2019	216,555,000	44,653,197	261,208,197
2020	247,605,000	32,795,013	280,400,013
2021	185,700,000	21,917,863	207,617,863
2022	112,080,000	14,976,294	127,056,294
2023	57,100,000	10,589,656	67,689,656
2024	17,840,000	8,313,300	26,153,300
2025	18,550,000	7,599,700	26,149,700
2026	19,110,000	7,043,200	26,153,200
2027	19,875,000	6,278,800	26,153,800
2028	20,670,000	5,483,800	26,153,800
2029	21,495,000	4,657,000	26,152,000
2030	22,355,000	3,797,200	26,152,200
2031	23,250,000	2,903,000	26,153,000
2032	24,180,000	1,973,000	26,153,000
2033	25,145,000	1,005,800	26,150,800
Totals	$2,157,465,000	$478,563,845	$2,636,028,845

TAX AND REVENUE ANTICIPATION NOTES

The State issues tax and revenue anticipation notes (“TRANs”) to aid in providing effective cash flow management by funding imbalances which occur in the collection and disbursement of the General Fund and Property Tax Relief Fund revenues.

Such TRANs do not constitute a general obligation of the State or a debt or liability within the meaning of the State Constitution. Such TRANs constitute special obligations of the State payable solely from monies on deposit in the General Fund and the Property Tax Relief Fund and legally available for such payment.

On July 1, 2014, the State Treasurer adopted a resolution authorizing the issuance of TRANs for Fiscal Year 2015. Pursuant thereto, on July 1, 2014, the State Treasurer entered into a Note Purchase Contract with JPMorgan Chase Bank, N.A. (“JPMorgan”) pursuant to which the State issued its TRANs Series Fiscal 2015A to JPMorgan on July 1, 2014 in the amount of $2,600,000,000. The TRANs Series Fiscal 2015A mature on June 26, 2015. The State does not expect to issue additional TRANs in Fiscal Year 2015.

OBLIGATIONS SUPPORTED BY STATE REVENUE SUBJECT TO ANNUAL APPROPRIATION

The State has entered into a number of leases and contracts described below (collectively, the "Agreements") with several governmental authorities to secure the financing of various projects and programs in the State. Under the terms of the Agreements, the State has agreed to make payments equal to the debt service on, and other costs related to, the obligations sold to finance the projects, including payments on swap agreements defined below. The State Legislature has no legal obligation to enact appropriations to fund such payments, but has done so to date for all such obligations. The amounts appropriated to make such payments are included in the appropriation for the department, authority or other entity administering the program or in other line item appropriations. See "STATE FINANCES — New Jersey's Budget and Appropriation Process" and "FINANCIAL RESULTS AND ESTIMATES — Appropriations" herein. The principal amount of bonds which may be issued and the notional amount of swaps which may be entered into by such governmental authorities is, in certain cases, subject to specific statutory dollar ceilings or programmatic restrictions which effectively limit such amounts. In other cases, there are currently no such ceilings or limitations. In addition, the State Legislature may at any time impose, remove, increase or decrease applicable existing ceilings and impose, modify or remove programmatic restrictions. The State Legislature may also authorize new Agreements with the governmental authorities listed below or other governmental authorities to secure the financing of projects and programs in the future.

The State expects that additional obligations supported by State revenues subject to appropriation will be issued during Fiscal Year 2015 and future Fiscal Years. The amount of such obligations issued in the future could be significant. The amendment to the Debt Limitation Clause, described under "CERTAIN CONSTITUTIONAL PROVISIONS — Debt Limitations" herein, may inhibit the enactment of legislation authorizing obligations supported by State revenues subject to appropriation. The State Legislature is not legally obligated to appropriate amounts for the payment of such debt service in any year, and there can be no assurance that the State Legislature will make any such appropriations. Future legislative action may depend in part on various factors including the financial condition of the State. See also the table captioned "STATE OF NEW JERSEY — LEGISLATIVELY AUTHORIZED BUT UNISSUED DEBT, 2013 AND 2012" in the 2013 CAFR

The following tables set forth the bond obligations that are supported by State revenues subject to appropriation by the State Legislature. The first table summarizes by issuer and by program the principal amount outstanding on June 30, 2014 and the estimated Fiscal Year 2015 debt service on such obligations. The second table depicts the aggregate estimated future debt service as of June 30, 2014 on all such obligations subject to annual appropriation as described herein. The data contained in the tables has not been adjusted to reflect subsequent activity. The tables include certain data that are (1) for governmental entities or programs that are not considered part of the State's long-term obligations for financial reporting purposes under generally accepted accounting principles or (2) for a component unit of the State. These items are therefore not reflected in Note 10 — Long-Term Obligations and the Schedule of Long-Term Debt in the 2013 CAFR. In addition, there are certain obligations which are included in such Note 10, which are not included in the following tables or elsewhere in this Appendix I. The amounts included in Note 10 which are not included in the following tables include payments to private businesses under the Business Employment Incentive Program. As noted above under FINANCIAL RESULTS AND ESTIMATES — Fiscal Year 2014 and Fiscal Year 2015 Estimated Resources — *Non-recurring Resources*, the Fiscal Year 2015 Appropriations Act failed to include an appropriation for payments expected to be made under such program in Fiscal Year 2015. The State Legislature has never failed to appropriate amounts for the payment of debt service on obligations included in the following tables:

SUMMARY OF OBLIGATIONS SUBJECT TO ANNUAL APPROPRIATION AS OF JUNE 30, 2014

Issuer	Type of Agreement	Principal Amount Outstanding(1)	Fiscal Year 2015 Debt Service(2)
Garden State Preservation Trust	Contract	$ 940,189,410	$ 97,638,171
New Jersey Building Authority	Lease	541,855,000	101,007,581
New Jersey Economic Development Authority			
Economic Recovery Fund	Contract	132,900,459	25,601,875
Liberty State Park — Park Projects	Lease	10,295,000	1,496,013
Liberty State Park — Science Center Projects	Lease	75,815,000	7,299,606
New Jersey Performing Arts Center	Lease	10,455,000	5,545,440
State Pension Funding	Contract	2,322,283,187	341,726,677
Department of Human Services Programs	Service Contract	14,210,000	2,512,300
New Jersey Transit Light Rail System	Lease	213,400,000	51,808,955
State Office Buildings Projects	Lease	26,685,000	5,264,050
School Facilities Construction	Contract	8,772,849,000	587,738,165
Municipal Rehabilitation	Contract	136,715,000	14,113,205
Motor Vehicle Commission	Contract	55,490,185	73,325,000
Business Employment Incentive Program	Contract	45,710,000	27,803,399
Motor Vehicle Surcharges Revenue	Contract	779,772,356	36,589,056
Motor Vehicle Surcharges Revenue — Special Needs Housing	Contract	206,508,197	5,546,175
Cigarette Tax Revenue	Contract	892,495,000	111,354,250
Lafayette Yard Hotel Project	Lease	11,940,000	2,115,264
State Police Barracks Project	Lease	6,845,000	954,469
New Jersey Educational Facilities Authority			
Capital Improvement Fund	Contract	507,210,000	50,211,411
Dormitory Safety Trust Fund	Contract	11,970,000	6,225,410
Public Library Project Grant Program	Contract	26,885,000	3,750,750
Equipment Leasing Fund Program	Contract	89,340,000	16,573,408
Technology Infrastructure Fund	Contract	38,110,000	3,735,740
New Jersey Health Care Facilities Financing Authority			
Greystone Park Psychiatric Hospital Project	Contract	210,840,000	15,108,988
Hospital Asset Transformation Program	Contract	419,110,000	31,869,097
Marlboro Psychiatric Hospital Project	Contract	73,530,000	6,327,575
New Jersey Sports and Exposition Authority	Contract	440,465,000	68,359,169
New Jersey Transportation Trust Fund Authority			
Transportation System Bonds	Contract	13,054,655,716	984,443,219
Transportation Program Bonds	Contract	1,748,700,000	120,333,013
State of New Jersey Certificates of Participation New Jersey Transit, Transportation Equipment	Lease	671,145,000	88,217,731
State-Supported County College Bonds	Statutory	200,662,522	34,742,976
State Equipment Line of Credit	Lease	84,963,922	35,080,941
TOTALS		$32,773,999,952	$2,964,419,076

(1) Amounts for outstanding capital appreciation bonds do not include accretion from date of issuance.

(2) For variable rate obligations, interest amounts were calculated using the rates in effect on June 30, 2014. (See "OBLIGATIONS SUPPORTED BY STATE REVENUE SUBJECT TO ANNUAL APPROPRIATION — Variable Rate Obligations" herein).

ESTIMATED FUTURE DEBT SERVICE SUBJECT TO APPROPRIATION AS OF JUNE 30, 2014

Fiscal Year	Principal (1)	Estimated Interest(1)(2)	Total
2015(3)	$ 1,318,263,473	$ 1,646,155,603	$ 2,964,419,076
2016(4)	1,881,527,886	1,578,197,004	3,459,724,890
2017(5)	1,868,526,880	1,556,060,641	3,424,587,521
2018(6)	2,085,096,201	1,513,365,748	3,598,461,949
2019	1,779,685,429	1,482,562,999	3,262,248,428
2020	1,617,732,772	1,439,509,576	3,057,242,347
2021	1,610,177,255	1,351,976,841	2,962,154,096
2022	1,581,414,199	1,307,940,182	2,889,354,381
2023	1,625,118,743	1,238,314,483	2,863,433,226
2024	1,571,844,558	1,172,902,459	2,744,747,017
2025	1,484,888,576	1,242,384,241	2,727,272,816
2026(7)	1,702,287,552	1,015,429,900	2,717,717,452
2027	1,746,011,973	882,174,570	2,628,186,543
2028(8)	1,998,481,325	793,099,936	2,791,581,261
2029	1,513,490,958	742,578,343	2,256,069,301
2030	805,088,820	610,359,821	1,415,448,642
2031	659,145,310	587,476,974	1,246,622,284
2032	605,582,148	570,621,130	1,176,203,279
2033	633,208,548	529,982,395	1,163,190,943
2034	691,521,831	505,325,644	1,196,847,475
2035	662,939,809	479,550,028	1,142,489,837
2036	465,054,570	573,165,851	1,038,220,422
2037	435,694,324	534,687,157	970,381,481
2038	404,656,526	543,890,743	948,547,269
2039	384,203,420	613,928,567	998,131,988
2040	569,630,782	491,165,080	1,060,795,863
2041	760,851,082	177,242,843	938,093,925
2042	207,980,000	15,593,750	223,573,750
2043	50,680,000	5,194,750	55,874,750
2044	53,215,000	2,660,750	55,875,750
	$32,773,999,952	$25,203,498,009	$57,977,497,961

(1) For capital appreciation bonds, the original issue amount is reflected as principal and the accretion in value from the date of issuance is reflected as interest in the year of bond maturity.

(2) For variable rate obligations, interest amounts were calculated using the rates in effect on June 30, 2014. (See "OBLIGATIONS SUPPORTED BY STATE REVENUE SUBJECT TO ANNUAL APPROPRIATION - Variable Rate Obligations" herein).

(3) The principal amount includes $119,060,000 School Facilities Construction Notes, 2012 Series G that mature February 1, 2015. It is anticipated that these Notes will be refunded prior to their maturity. Estimated interest on the Notes is included in this table.

(4) The principal amount includes $242,495,000 School Facilities Construction Notes, 2011 Series E that mature February 1, 2016 and $47,620,000 State Building Revenue Bond Anticiption Notes, 2013 Series that mature June 15, 2016. It is anticipated that these Notes will be refunded prior to their maturity. Estimated interest on the Notes is included in this table.

(5) The principal amount includes $119,060,000 School Facilities Construction Notes, 2012 Series H that mature February 1, 2017. It is anticipated that these Notes will be refunded prior to their maturity. Estimated interest on the Notes is included in this table.

(6) The principal amount includes $65,620,000 School Facilities Construction Notes, 2011 Series C; $150,000,000 School Facilities Construction Notes, 2011 Series D; $25,000,000 School Facilities Construction Notes, 2011 Series E and $45,000,000 School Facilities Construction Notes, 2011 Series F that will mature February 1 2018. It is anticipated that these Notes will be refunded prior to their maturity. Estimated interest on the Notes is included in this table.

(7) The principal amount includes $60,850,000 School Facilities Construction Notes, 2013 Series I that mature September 1, 2025. It is anticipated that these Notes will be refunded prior to their maturity. Estimated interest on the Notes is included in this table.

(8) The principal amount includes $89,580,000 School Facilities Construction Notes, 2013 Series I that mature September 1, 2027 and $230,085,000 School Facilities Construction Notes, 2013 Series I that will mature March 1, 2028. It is anticipated that these Notes will be refunded prior to their maturity. Estimated interest on the Notes is included in this table.

Garden State Preservation Trust

The Garden State Preservation Trust ("GSPT") issues bonds for the purpose of preserving open space and farmland. Pursuant to the Garden State Preservation Trust Act, as amended, the principal amount of bonds, notes or other obligations which could have been issued prior to July 1, 2009, other than refunding bonds, cannot exceed $1.15 billion. The GSPT has exhausted its $1.15 billion statutory bonding authorization. After July 1, 2009, only refunding bonds can be issued. The bonds issued by the GSPT are special obligations of the GSPT payable from amounts paid to it under a contract between the GSPT and the State Treasurer, subject to appropriation by the State Legislature.

New Jersey Building Authority

The New Jersey Building Authority ("NJBA") issues bonds for the acquisition, construction, renovation and rehabilitation of various State office buildings, historic buildings and correctional facilities. Pursuant to a lease agreement, the State makes rental payments to the NJBA in amounts sufficient to pay debt service on the bonds, subject to appropriation by the State Legislature.

New Jersey Economic Development Authority

The New Jersey Economic Development Authority (the "NJEDA") is authorized to issue bonds for various purposes described below.

The Economic Recovery Bonds have been issued pursuant to legislation enacted in 1992 to finance various economic development purposes. Pursuant to that legislation, the NJEDA and the State Treasurer entered into an agreement through which the NJEDA has agreed to undertake the financing of certain projects and the State Treasurer has agreed to credit to the Economic Recovery Fund from the General Fund amounts equivalent to payments due to the State under an agreement with the Port Authority of New York and New Jersey, subject to appropriation by the State Legislature.

Pursuant to the Business Employment Incentive Program Act, L. 1996, c. 26, the NJEDA has entered into agreements with various private businesses in order to provide business employment incentive grants ("BEIP grants") in consideration for the attainment of certain employment promotion targets as established therein. L. 2003, c. 166, authorizes the NJEDA to issue bonds to provide funds (i) for the payment of the BEIP grants, and (ii) to be used by the NJEDA for the purposes enumerated in subsections a. and b. of section 4 of L. 1992, c. 16 (*C.* 34:1B-7.13) for payments to designated businesses. Debt service on the bonds is payable pursuant to a contract between the State Treasurer and the NJEDA, subject to appropriation by the State Legislature.

The State Pension Funding Bonds were issued pursuant to legislation enacted June 1997 to pay a portion of the State's unfunded accrued pension liability for the State's retirement system, which together with amounts derived from the revaluation of pension assets pursuant to companion legislation enacted at the same time, were sufficient to fully fund the then unfunded accrued pension liability at that time. Debt service on the bonds is payable pursuant to a contract between the State Treasurer and the NJEDA, subject to appropriation by the State Legislature.

The Educational Facilities Construction and Financing Act, L. 2000, c. 72 ("EFCFA") authorizes the NJEDA to issue bonds to finance the State share of costs for school facilities construction projects. EFCFA originally provided that the aggregate principal amount of bonds, notes or other obligations issued by NJEDA shall not exceed: $100,000,000 for the State share of costs for county vocational school district school facilities projects, $6,000,000,000 for the State share of costs for "Abbott District" school facilities projects, and $2,500,000,000 for the State share of costs for school facilities projects in all other districts. Debt service on the bonds issued pursuant to EFCFA is paid pursuant to a contract between the State Treasurer and the NJEDA, subject to appropriation by the State Legislature.

EFCFA was amended in July 2008 to increase the amount of bonds, notes or other obligations authorized to be issued by the NJEDA in additional aggregate principal amounts not to exceed: $2,900,000,000 for the State share of costs for school facilities projects in the "SDA Districts" (formerly "Abbott Districts"), $1,000,000,000 for the State share of costs for school facilities projects in all other districts, and $50,000,000 for the State share of costs for county vocational school district facilities projects. In regard to this increase in the amount of bonds authorized to be issued by NJEDA pursuant to this amendment, debt service on these bonds or refunding bonds issued by NJEDA and any additional costs authorized pursuant to Section 14 of EFCFA shall first be payable from revenues received from the New Jersey Gross Income Tax except that debt service on bonds issued to pay for administrative, insurance, operating and other expenses of the NJEDA and the Schools Development Authority in connection with school facilities projects shall be payable from the General Fund. The additional bonds issued pursuant to this amendment are also payable pursuant to the contract between the State Treasurer and the NJEDA, mentioned above, subject to appropriation by the State Legislature.

The Municipal Rehabilitation and Economic Recovery Act, L. 2002, c. 43 (*N.J.S.A.* 52:27BBB-1 *et seq.*), authorizes the NJEDA to issue bonds for the purpose of making deposits into certain funds described in *N.J.S.A.* 52:27BBB-49 and *N.J.S.A.* 52:27BBB-50, to provide loans and grants to sustain economic activity in qualified municipalities under the Act. Debt service on the bonds is paid pursuant to a contract between the NJEDA and the State Treasurer, subject to appropriation by the State Legislature.

The Motor Vehicle Security and Customer Service Act, L. 2003, c. 13, authorizes the NJEDA to issue bonds to pay the costs of capital improvements for New Jersey Motor Vehicle Commission facilities. The legislation provides that bonds shall not be issued in an aggregate principal amount exceeding $160 million without the prior approval of the Joint Budget Oversight Committee ("JBOC") of the State Legislature. The bonds are secured by the monies in the Market Transition Facility Revenue Fund.

The Motor Vehicle Surcharges Securitization Act of 2004, L. 2004, c. 70, authorizes the NJEDA to issue bonds payable from, and secured by, dedicated motor vehicle surcharge revenues as defined in the legislation, with the pledge of certain of the surcharges being subject and subordinate to the Motor Vehicle Commission Bonds. Debt service on the bonds is payable pursuant to a contract between the NJEDA and the State Treasurer, subject to appropriation by the State Legislature. Pursuant to L. 2005, c. 163, L. 2004, c. 70 was amended to authorize the issuance of bonds by NJEDA in an amount not to exceed $200 million to fund grants and loans for the costs of special needs housing projects in the State. The expenditure of the funds is administered by the New Jersey Housing and Mortgage Finance Agency.

The Cigarette Tax Securitization Act of 2004, L. 2004. c. 68, authorizes the NJEDA to issue bonds payable from, and secured by, a dedicated portion, $0.0325 per cigarette, of the cigarette tax imposed pursuant to *N.J.S.A.* 54:40A-1 *et seq.* Debt service on the bonds is payable pursuant to a contract between the NJEDA and the State Treasurer, subject to appropriation by the State Legislature.

The NJEDA is authorized to issue bonds to purchase a redevelopment revenue bond (the "City Bond") issued by the City of Trenton. The City Bond was issued to refund a portion of bonds issued by a non-profit corporation to construct the Lafayette Yard hotel and conference center project in Trenton. The NJEDA Bonds are secured by the principal and interest payments on the City Bond, which, in turn, are payable solely from payments in lieu of taxes (the "PILOTS") made by the NJEDA. The PILOTS are payable solely from supplemental rent the State pays to the NJEDA under a lease, subject to appropriation by the State Legislature.

L. 2006, c.102 authorized the issuance of $270 million of bonds by the NJEDA to fund various State capital construction projects, including stem cell research facilities in New Brunswick and Newark, biomedical research facilities, blood collection facilities and cancer research facilities. Debt service on the bonds shall be paid pursuant to a contract to be entered into between the NJEDA and the State Treasurer, subject to appropriation by the State Legislature. No bonds have been issued.

The NJEDA has issued revenue bonds on behalf of non-profit community service providers. The payment of debt service on these revenue bonds as well as the payment of certain other provider expenses is made by the State pursuant to service contracts between the State Department of Human Services and these providers, subject to appropriation by the State Legislature. The contracts have one year terms, subject to annual renewal.

In addition, the State has entered into a number of leases with the NJEDA relating to the financing of certain real property, office buildings and equipment. The rental payments required to be made by the State under these lease agreements are sufficient to pay debt service on the bonds issued by the NJEDA to finance the acquisition and construction of such projects and other amounts payable to the NJEDA, including certain administrative expenses of the NJEDA. Amounts payable under the lease agreements are subject to appropriation by the State Legislature.

New Jersey Educational Facilities Authority

The New Jersey Educational Facilities Authority ("NJEFA") issues bonds pursuant to seven separate legislative programs to finance: (i) the purchase of equipment to be leased to institutions of higher learning (the "Equipment Leasing Fund"); (ii) grants to the State's public and private institutions of higher education for the development, construction and improvement of instructional, laboratory, communication and research facilities (the "Facilities Trust Fund"); (iii) grants to public and private institutions of higher education to develop a technology infrastructure within and among the State's institutions of higher education (the "Technology Infrastructure Fund"); (iv) capital projects at county colleges; (v) grants to public and private institutions of higher education to finance the renewal, renovation, improvement, expansion, construction, and reconstruction of educational facilities and technology infrastructure (the "Capital Improvement Fund"); (vi) grants to public libraries to finance the acquisition, expansion and rehabilitation of buildings to be used as public library facilities and the acquisition and installation of equipment to be located therein (the "Public Library Project Grant Program"); and (vii) loans to public and private institutions of higher education and public or private secondary schools, military schools or boarding schools located in the State which are required under the Dormitory Safety Trust Fund Act to install automatic fire suppression systems for the cost or a portion of the cost of the construction, reconstruction, development, extension or improvement of dormitory safety facilities, including fire prevention and sprinkler systems (the "Dormitory Safety Trust Fund"). The debt service on the bonds issued under these programs is payable by the State pursuant to statutory provisions or contracts between the NJEFA and the State Treasurer subject to appropriation by the State Legislature. Under the financing programs for the Equipment Leasing Fund, the Facilities Trust Fund, the Technology Infrastructure Fund and the Capital Improvement Fund, as bonds mature and/or are redeemed, the bonding capacity revolves. As of June 30, 2014, under these programs, the NJEFA has, in aggregate, approximately $290 million of bonding capacity.

New Jersey Health Care Facilities Financing Authority

The New Jersey Health Care Facilities Financing Authority ("HCFFA") is authorized to acquire, construct and lease projects to the New Jersey Department of Human Services ("DHS") and to issue bonds to finance such projects, the debt service on which shall be paid by DHS, subject to appropriation by the State Legislature.

Under the Hospital Asset Transformation Program established by L. 2000, c. 98 and as amended by L. 2007, c. 110, and L. 2009. c. 2, HCFFA is authorized to issue bonds to provide funds to any nonprofit health care organization in order to, among other things, satisfy the outstanding indebtedness of a hospital, pay the costs of transitioning or terminating the provision of hospital acute care services at a specific location, including the costs of construction, renovation, equipment, information technology and working capital, and pay the costs associated with the closure or acquisition of a general hospital. Such bonds are special obligations of HCFFA payable from amounts paid to it under a contract between HCFFA and the State Treasurer, subject to appropriation by the State Legislature.

New Jersey Sports and Exposition Authority

The New Jersey Sports and Exposition Authority (the "NJSEA") issues bonds for various purposes payable from a contract between the NJSEA and the State Treasurer (the "NJSEA State Contract"). Pursuant to the NJSEA State Contract, the NJSEA undertakes certain projects and the State Treasurer credits to the NJSEA amounts from the General Fund sufficient to pay debt service and other costs related to the bonds, subject to appropriation by the State Legislature.

New Jersey Transportation Trust Fund Authority

The New Jersey Transportation Trust Fund Authority (the "TTFA") issues bonds for the purpose of funding a portion of the State's share of the cost of improvements to the State's transportation system. The bonds issued by the TTFA are special obligations of the TTFA payable from a contract ("State Contract") among the TTFA, the State Treasurer and the Commissioner of Transportation, subject to appropriation by the State Legislature. The issuance of refunding bonds to refund prior obligations of the TTFA is not subject to the debt issuance restrictions described below, but is subject to the approval of the JBOC.

On June 29, 2012, the New Jersey Transportation Trust Fund Authority Act of 1984, as amended (the "TTFA Act") was further amended by L. 2012, c. 13 (the "Reauthorization Act"). Pursuant to the Reauthorization Act, the principal amount of the TTFA's bonds, notes or other obligations which can be issued in any fiscal year generally cannot exceed: $1,247,000,000 for the fiscal year beginning July 1, 2012, $849,200,000 for the fiscal year beginning July 1, 2013, $735,300,000 for the fiscal year beginning July 1, 2014, and $626,800,000 for the fiscal year beginning July 1, 2015; except that if the permitted amount of debt, or any portion thereof, is not incurred in a fiscal year, it may be issued in a subsequent fiscal year. In addition, 30 percent of the permitted amount of Reauthorization Act bonds for a fiscal year may be issued in the fiscal year preceding such fiscal year, subject to certain restrictions. The payment of debt service on Reauthorization Act bonds, notes or other obligations must be paid solely from revenues dedicated for transportation purposes pursuant to Article VIII, Section II, paragraph 4 of the State Constitution.

The issuance of bonds permitted by the Reauthorization Act, along with (i) contributions from the Port Authority of New York and New Jersey and (ii) future pay-as-you-go funding, will support the annual $1.6 billion transportation capital plan required by the Reauthorization Act.

State of New Jersey Certificates of Participation

The State, acting through the Director of the Division of Purchase and Property, has entered into a series of lease purchase agreements which provide for the acquisition of equipment, services and real property to be used by various departments and agencies of the State. Certificates of Participation in such lease purchase agreements have been issued. A Certificate of Participation represents a proportionate interest of the owner thereof in the lease payments to be made by the State under the terms of the lease purchase agreement, subject to appropriation by the State Legislature.

State Supported County College Bonds

Legislation provides for appropriations for State Aid to counties equal to a portion of the debt service on bonds issued by or on behalf of such counties for construction of county college facilities (L. 1971, c. 12, as amended). The State Legislature has no legal obligation to make such appropriations, but has done so to date for all obligations issued under this legislation. The NJEFA is also authorized to issue its obligations to finance county college capital facilities which are secured in whole or in part by an agreement with the State Treasurer, subject to appropriation by the State Legislature.

Lines of Credit

The State finances the acquisition of certain equipment, vehicles, services and real property to be used by various State departments through lines of credit established from time to time with one or more financial services providers. Repayments of amounts drawn under the lines of credit are subject to appropriation by the State Legislature.

Variable Rate Obligations

As of June 30, 2014, the TTFA had in aggregate $297,500,000 of variable rate demand bonds outstanding, with interest rates that reset weekly. Such variable rate demand bonds are secured by respective agreements with the State Treasurer, and are further supported by bank-issued letters of credit.

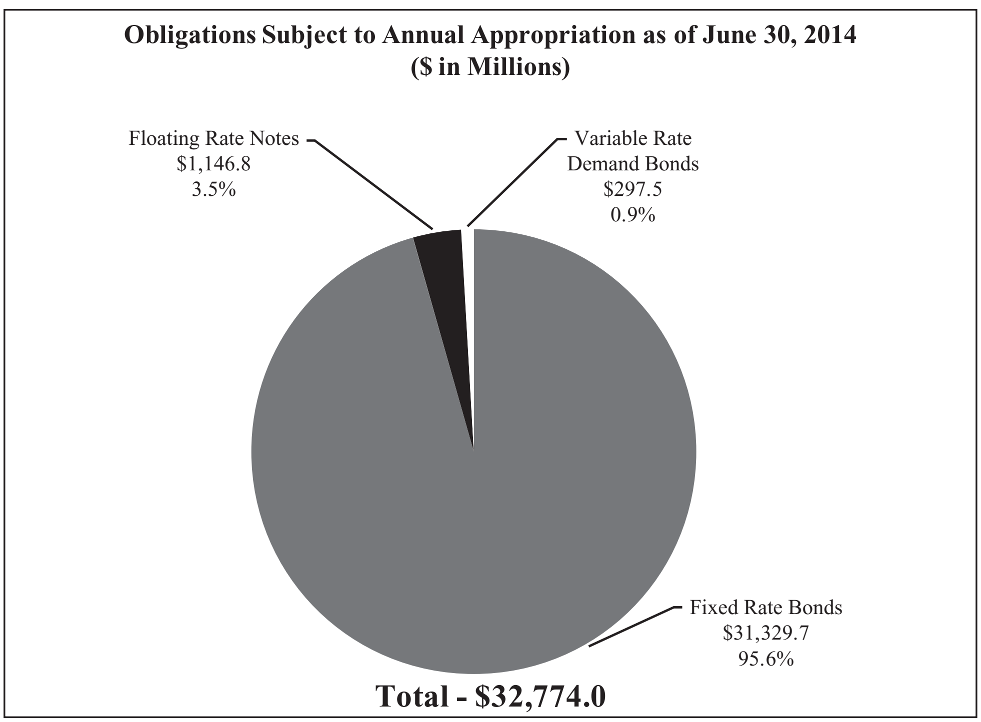
Additionally, as of June 30, 2014, the NJEDA had outstanding $1,146,750,000 of floating rate notes, which bear interest at a rate that resets monthly or weekly and is based on either the London InterBank Offering Rate ("LIBOR") plus a fixed spread or the Securities Industry and Financial Markets Association ("SIFMA") rate plus a fixed spread. There are no letters of credit in support of these notes.

The following table provides a summary of the State-supported variable rate obligations outstanding as of June 30, 2014.

SUMMARY OF VARIABLE RATE OBLIGATIONS AS OF JUNE 30, 2014

Issuer	Series	Type-Reset Period	Amount Outstanding as of 06/30/14	Index Rate (if applicable)	Interest Rate as of 06/30/14	Letter of Credit Bank
NJEDA (School Facilities Construction Bonds)	2011 Series C	FRN-Weekly	$ 65,620,000	SIFMA + 1.80%	1.860%	None
	2011 Series D	FRN-Monthly	150,000,000	70% 1-Month LIBOR + 1.80%	1.905%	None
	2011 Series E	FRN-Weekly	242,495,000	SIFMA + 1.70%	1.760%	None
	2011 Series E	FRN-Weekly	25,000,000	SIFMA + 1.90%	1.960%	None
	2011 Series F	FRN-Monthly	45,000,000	70% 1-Month LIBOR + 1.90%	2.005%	None
	2012 Series G	FRN-Weekly	119,060,000	SIFMA + 0.58%	0.640%	None
	2012 Series H	FRN-Weekly	119,060,000	SIFMA + 0.90%	0.960%	None
	2013 Series I	FRN-Weekly	60,850,000	SIFMA + 1.25%	1.310%	None
	2013 Series I	FRN-Weekly	89,580,000	SIFMA + 1.55%	1.610%	None
	2013 Series I	FRN-Weekly	230,085,000	SIFMA + 1.60%	1.660%	None
TTFA	2009 Series C	VRDB-Weekly	150,000,000	n/a	0.06%	Wells Fargo
	2009 Series D	VRDB-Weekly	147,500,000	n/a	0.05%	Wells Fargo
		Total	$1,444,250,000			

The following table provides a summary, by type, of the State's subject to appropriation bonds and notes as of June 30, 2014.



Swap Agreements

The obligation of various independent State authorities to make payments with respect to certain financings includes payments related to interest rate exchange agreements listed below ("swap agreements"). Under such a swap agreement, the issuer will make periodic payments to the swap counterparty at either a fixed or variable rate of interest, and will receive periodic payments from the swap counterparty at either a variable or fixed rate of interest, such interest calculations based on the principal or "notional" amount of the swap agreement. If the swap agreement is terminated prior to its stated termination date, either the issuer or the swap counterparty may be required to make a termination payment to the other party. The independent State authorities' obligations to make payments under the swap agreements are subject to appropriation by the State Legislature.

The NJEDA has outstanding swap agreements with eight different counterparties. The following table provides a summary of the State-supported swap agreements as of June 30, 2014.

Summary of
Interest Rate Swap Agreements
As of June 30, 2014

Bond Issuer	Counterparty	Outstanding Notional Amount	Amended Effective Date	Amended Termination Date	Fixed Rate	Floating Index
NJEDA (School Facilities Construction Bonds)						
	Variable-to-Fixed Swaps					
	Bank of America, N.A.	$ 64,007,500	6/15/2013	9/1/2031	4.40740%	71.98% 1-Month LIBOR
	Bank of Montreal	121,173,442	6/15/2013	9/1/2034	4.54850%	62% 1-Month LIBOR+40 bps
	Goldman Sachs Mitsui Marine Derivative Products, L.P.	49,147,500	6/15/2013	3/1/2031	4.29590%	70.8% 1-Month LIBOR
	Goldman Sachs Mitsui Marine Derivative Products, L.P.	78,167,500	6/15/2013	9/1/2031	4.40740%	71.98% 1-Month LIBOR
	Goldman Sachs Mitsui Marine Derivative Products, L.P.	91,057,500	6/15/2013	9/1/2032	4.39900%	71.57% 1-Month LIBOR
	Merrill Lynch Capital Services, Inc.	179,715,804	6/15/2013	3/1/2035	4.25100%	62% 1-Month LIBOR+40 bps
	Natixis Financial Products, Inc.	95,420,217	6/15/2013	9/1/2033	4.48900%	62% 1-Month LIBOR+40 bps
	Royal Bank of Canada	90,460,000	6/15/2013	3/1/2034	4.51240%	62% 1-Month LIBOR+40 bps
	UBS AG, Stamford Branch	64,322,500	1/20/2011	9/1/2029	4.06250%	71.13% 1-Month LIBOR
	UBS AG, Stamford Branch	64,790,000	1/20/2011	3/1/2030	4.17625%	74.24% 1-Month LIBOR
	UBS AG, Stamford Branch	116,097,500	1/20/2011	9/1/2032	4.39900%	71.57% 1-Month LIBOR
	Wells Fargo Bank, N.A.	49,332,500	6/15/2013	9/1/2029	4.06250%	71.13% 1-Month LIBOR
	Wells Fargo Bank, N.A.	33,912,500	6/15/2013	3/1/2030	4.17625%	74.24% 1-Month LIBOR
	Wells Fargo Bank, N.A.	49,147,500	6/15/2013	3/1/2031	4.29590%	70.8% 1-Month LIBOR
		$1,146,751,963				

As of June 30, 2014, the aggregate mark-to-market value of the swap agreements is negative, indicating that the NJEDA has no credit exposure to the swap counterparties. If the ratings of a counterparty were to be reduced below levels specified in the documentation relating to the swap agreements with the NJEDA and at such time the NJEDA did have in excess of a specified amount of credit exposure to such counterparty, the counterparty would be required to provide collateral to support all or a portion of the NJEDA's credit exposure. No assurance can be given that the ratings of the counterparties will be maintained at current levels or that the mark-to-market value of the swaps will not change to create credit exposure by the NJEDA to one or more counterparties.

The NJEDA is not required to post collateral under any of the swap agreements listed in the above table. If ratings on the bonds relating to the swaps generally fall below BBB or Baa2 by one or more rating agencies, then the counterparty may have the option to terminate the swaps. In some cases, the independent State authority may have the option to post collateral to prevent a termination. If a termination were to occur at a time where the swaps had a negative mark-to-market value, then the NJEDA would be required to make a termination payment in the amount of the negative mark to market. At June 30, 2014, the aggregate negative mark-to-market on the swaps listed in the above table was $326.2 million.

MORAL OBLIGATION FINANCING

The authorizing legislation for certain State entities provides for specific budgetary procedures with respect to certain obligations issued by such entities. Pursuant to such legislation, a designated official is required to certify any deficiency in a debt service reserve fund maintained to meet payments of principal of and interest on the obligations, and a State appropriation in the amount of the deficiency is to be made. However, the State Legislature is not legally bound to make such an appropriation. Bonds issued pursuant to authorizing legislation of this type are sometimes referred to as moral obligation bonds. There is no statutory limitation on the amount of moral obligation bonds which may be issued by eligible State entities.

The following table sets forth the moral obligation bonded indebtedness issued by State entities as of June 30, 2014.

	Principal Amount Outstanding	Fiscal Year 2015 Debt Service
New Jersey Housing and Mortgage Finance Agency	$ 14,280,000	$ 4,303,295
South Jersey Port Corporation	266,290,000	24,943,492
Higher Education Student Assistance Authority	2,469,075,000	292,069,635
	$2,749,645,000	$321,316,422

New Jersey Housing and Mortgage Finance Agency

Neither the New Jersey Housing and Mortgage Finance Agency nor its predecessors, the New Jersey Housing Finance Agency and the New Jersey Mortgage Finance Agency, have had a deficiency in a debt service reserve fund which required the State to appropriate funds to meet its moral obligation. It is anticipated that this agency's revenues will continue to be sufficient to pay debt service on its bonds.

South Jersey Port Corporation

The State, under its moral obligation, has provided the South Jersey Port Corporation (the "Port Corporation") with funds to replenish its debt service reserve fund to the extent drawn upon by the Port Corporation when Port Corporation revenues are insufficient to pay debt service on its outstanding bonds. Such payments to the Port Corporation are subject to appropriation by the State Legislature.

The following table sets forth the amounts paid to the Port Corporation to replenish its debt service reserve fund for the past five fiscal years.

Fiscal Year	Amounts Paid For Debt Service
2010	$11,534,236
2011	7,013,289
2012	19,847,053
2013	18,972,976
2014	14,756,323

Higher Education Student Assistance Authority

The Higher Education Student Assistance Authority ("HESAA") has not had a revenue deficiency which required the State to appropriate funds to meet its moral obligation. It is anticipated that the HESAA's revenues will continue to be sufficient to pay debt service on its bonds.

STATE EMPLOYEES

Public Employer-Employee Relations Act

The State, as a public employer, is covered by the New Jersey Public Employer-Employee Relations Act, as amended (*N.J.S.A.* 34:13A-1 *et seq.*), which guarantees public employees the right to negotiate collectively through employee organizations certified or recognized as the exclusive collective negotiations representatives for units of public employees found to be appropriate for collective negotiations purposes. Approximately 62,000 full-time Executive Branch employees are paid through the State payroll system. Of the 62,000 employees, approximately 57,400 are represented by certified or recognized exclusive majority representatives and are organized into various negotiation units. There are twelve civilian units which presently represent more than 47,000 employees in the Executive Branch. The Health Care and Rehabilitation Services Unit is represented by the American Federation of State, County and Municipal Employees ("AFSCME") and includes about 8,200 employees. The Administrative and Clerical Services Unit, the Primary Supervisory Unit, the Professional Unit and the Higher Level Supervisory Unit are all represented by the Communications Workers of America ("CWA") and include about 6,300 employees, 9,600 employees, 14,800 employees and 2,900 employees, respectively, for total of 33,600 employees. The Crafts Unit, the Inspection and Security Unit, and the Operations, Maintenance and Services Unit are represented by the International Federation of Professional and Technical Engineers ("IFPTE") and the New Jersey State Motor Vehicle Employees Union, Service Employees International Union ("SEIU"), and combined include about 4,700 employees. The Deputy Attorneys General ("DAsG") unit and the State Government Managers ("Managers") Unit are both represented by the International Brotherhood of Electrical Workers ("IBEW") and include approximately 400 employees and 850 employees, respectively. There are approximately 10,000 employees represented by thirteen law enforcement units.

Negotiation Process

The New Jersey Public Employer-Employee Relations Act specifies a negotiation process for non-police and non-fire units which includes mediation and advisory fact-finding in the event of a negotiations impasse. This process is geared to the public employer's budget submission process. Thus, in the case of the State, unless there is a multi-year agreement then in effect, negotiations begin in October of the year (or no later than 120 days) prior to the new budget, and the entire process, including mediation and fact-finding, should be completed prior to the Governor's submission of the Governor's Budget Message to the State Legislature in late January or early February of each year, so that the Governor's Budget Message can reflect the results of negotiations. In the event that negotiations are not completed by the date of the Governor's Budget Message, a later supplemental appropriations request may be made. The economic provisions included in these negotiated agreements generally take effect at the beginning of each fiscal year or at other times provided in the agreements. Police and fire negotiations units may also submit to mediation and fact-finding in the event that negotiations with the State produces an impasse and the parties agree to do so, but where no agreement is achieved by exhaustion of these processes, police and fire units are additionally entitled to submit their final demands to binding interest arbitration. Approximately 10,000 State employees come under the binding interest arbitration process. Of the 10,000, approximately 2,600 are in the State Police.

Contract Status

The State has entered into a four-year contract for Fiscal Years 2012-2015 with the IFPTE Local 195 and SEIU Local 518. The contract provides for across the board salary increases of 2.75% as follows: 0% in Fiscal Year 2012, 0% in Fiscal Year 2013, 1% in Fiscal Year 2014 and 1.75% in Fiscal Year 2015. Negotiations for a new contract are expected to begin in October 2014.

The State has entered into four-year contracts for Fiscal Years 2012-2015 with the four CWA units. The contracts provide for across the board salary increases of 2.75% as follows: 0% in Fiscal Year 2012, 0% in Fiscal Year 2013, 1% in Fiscal Year 2014 and 1.75% in Fiscal Year 2015. Negotiations for new contracts are expected to begin in October 2014.

The State has entered into a four-year contract for Fiscal Years 2012-2015 with AFSCME. The contract provides for across the board salary increases of 2.75% as follows: 0% in Fiscal Year 2012, 0% in Fiscal Year 2013, 1% in Fiscal Year 2014 and 1.75% in Fiscal Year 2015. Negotiations for a new contract are expected to begin in October 2014.

The State entered into its first contract with IBEW Local 33 ("Local 33") expiring in Fiscal Year 2015. Local 33 represents approximately 400 DAsG in the Department of Law and Public Safety ("LPS"), Division of Law and the Division of Alcohol and Beverage Control. The salary guide for this unit has two ranges with ten (10) steps. The contract provides the following across the board increases to each step of the ranges for this unit: 1% in Fiscal Year 2014 and 1.75% in Fiscal Year 2015. DAsG salaries are capped at $127,653.68 as set forth in the Civil Service Commission's Salary Compensation Compendium. Negotiations for a new contract are expected to begin in October 2014.

The State entered into a four-year contract for Fiscal Years 2012-2015 with the New Jersey Policemen Benevolent Association Local 105 ("PBA 105"). The unit represents approximately 6,000 law enforcement officers and is the single largest State law enforcement unit. The salary guide is comprised of 10 steps. The contract provides the following across the board salary increases for employees at steps 1 through 9 of the salary guide: 0% in Fiscal Year 2012, 0% in Fiscal Year 2013 and 0% in Fiscal Year 2014 and 1% in Fiscal Year 2015. Employees at the top step (step 10) of the contract shall receive the following across the board salary increases: 0% in Fiscal Year 2012, 0% in Fiscal Year 2013, 1.75% in Fiscal Year 2014 and 1.5% in Fiscal Year 2015. Negotiations for a new contract are expected to begin in October 2014.

The State entered into a four-year contract for Fiscal Years 2012-2015 with the New Jersey State Fraternal Order of Police Lodge 174 ("FOP Lodge 174"). The unit represents approximately 100 law enforcement officers. The salary guide is comprised of 10 steps. The contract provides the following across the board salary increases: employees at steps 1 through 9 of the salary guide shall not receive an across the board salary increase for the life of the contract. Employees at the top step (step 10) of the contract shall receive the following across the board salary increases: 0% in Fiscal Year 2012, 0% in Fiscal Year 2013 and 1.0% in Fiscal Year 2014. Employees at the top step (step 10), with the exception of employees in the title of Principal Investigator, shall receive a 1.5% across the board salary increase in Fiscal Year 2015. Employees in the title of Principal Investigator who are at top step (step 10) shall receive a 0.75% across the board salary increase in Fiscal Year 2015. Negotiations for a new contract are expected to begin in October 2014.

The State entered into a four-year contract for Fiscal Years 2012-2015 with the New Jersey Policemen Benevolent Association State Law Enforcement Unit ("SLEU"). The unit represents approximately 200 law enforcement officers. The salary guide is comprised of 10 steps. The contract provides the following across the board salary increases for employees at steps 1 through 9 of the salary guide: 0% in Fiscal Year 2012, 0% in Fiscal Year 2013 and 0% in Fiscal Year 2014 and 1% in Fiscal Year 2015. Employees at the top step (step 10) of the contract shall receive the following across the board salary increases: 0% in Fiscal Year 2012, 0% in Fiscal Year 2013, 1.25% in Fiscal Year 2014 and 1.25% in Fiscal Year 2015. Negotiations for a new contract are expected to begin in October 2014.

The State entered into a four-year contract based upon an interest arbitration award for Fiscal Years 2012-2015 with New Jersey Law Enforcement Supervisors Association ("NJLESA"). NJLESA represents approximately 665 law enforcement officers at the rank of sergeant. The salary guide is comprised of 10 steps. The contract provides for the following across the board increases: employees at steps 1 through 9 of the salary guide shall not receive an across the board increase for the life of the contract. Employees at the top step (step 10) of the contract shall receive 0% in Fiscal Years 2012, 0% in Fiscal Years 2013, 1.25% in Fiscal Year 2014 and 1.25% in Fiscal Year 2015. Negotiations for a new contract are expected to begin in October 2014.

The State entered into a four-year contract with the New Jersey Superior Officers Law Enforcement Association ("NJLESOA") for Fiscal Years 2012-2015. NJSOLEA represents approximately 400 law enforcement officers at the rank of lieutenant. The salary guide is comprised of 10 steps. The contract provides for the following across the board increases: (1) 0% in Fiscal Years 2012 and 2013; (2) effective the first full pay period in July 2013, a 1.25% increase to all negotiation unit employees; and (3) effective the first full pay period in July 2014, a 1.25% increase to all negotiation unit employees. Negotiations for a new contract are expected to begin in October 2014.

The State entered into its first contract with IBEW Local 30, State Government Managers Unit, expiring in Fiscal Year 2015. Local 30 currently represents approximately 800 Managers in the Executive Branch. The contract provides the following across the board increases to each step of the ranges for this unit: 1% in Fiscal Year 2014 and 1.75% in Fiscal Year 2015.

The State entered into a four-year contract for Fiscal Years 2012-2015 with the New Jersey Law Enforcement Commanding Officers Association ("NJLECOA") representing Corrections Majors, Corrections Captains, JJC, Supervising Conservation Officers, DEP, Assistant Chief Investigators, DOC, Supervising Parole Officers, and Parole and Chief Investigators, JJC. There are approximately fifty law enforcement employees in the unit. The contract provides for the following across-the-board increases for Corrections Majors, Supervising Conversation Officers, DEP, Assistant Chief Investigators, DOC and Chief Investigators, JJC: 0% in Fiscal Year 2012, 0% in Fiscal Year 2013, 1% in Fiscal Year 2014 and 1.25% in Fiscal Year 2015. Corrections Majors, who are at a single rate and, thus, do not receive any salary increments, also will receive lump sum bonuses, not included in base salary, of $1,750 and $1,500 in Fiscal Years 2014 and 2015, respectively. In lieu of any across-the-board increases, Corrections Captains and Supervising Parole Officers will receive lump sum bonuses, not included in base salary, of $1,160 and $1,450 in Fiscal Years 2014 and 2015, respectively.

The State is in interest arbitration with the State Investigators Unit represented by FOP Lodge 91, rank and file unit, the State Investigators Unit, sergeant rank represented by the N.J. Division of Criminal Justice Non-Commissioned Officers Association, and the State Investigators Unit, lieutenants rank represented by the N.J. Division of Criminal Justice Superior Officers Association. These groups represent approximately 230 employees.

The contracts for the three State Police units, State Troopers Fraternal Association ("STFA — Troopers"), State Troopers Non-Commissioned Officers Association ("STNCOA — Sergeants") and State Troopers Superior Officer Association ("STSOA — Lieutenants"), collectively representing approximately 2,500 members, expired on June 30, 2012. Negotiations for new contracts have commenced.

STATE FUNDING OF PENSION PLANS

General

The State sponsors and operates seven defined benefit pension plans (the "Pension Plans"), which fund retirement benefits for almost all of the public employees of the State. As a result of lower-than-recommended contributions by the State to the Pension Plans for an extended period, investment losses and other causes, the Pension Plans have experienced (and, absent action by the State, are expected to continue to experience for a number of years) a deterioration in their financial condition. See "STATE FUNDING OF PENSION PLANS — State's Financial Responsibility to the Pension Plans."

In response to the deteriorating financial condition of the Pension Plans, the State Legislature enacted two pension reforms, Chapter 1 and the 2011 Pension and Health Benefit Reform Legislation, which includes a phased-in process of making the full actuarially recommended contributions. As discussed below, the State did not contribute the full phased-in contribution for Fiscal Year 2014 and the Fiscal Year 2015 Appropriations Act does not include the full phased-in contribution for Fiscal Year 2015. See "STATE FUNDING OF PENSION PLANS — Pension Reforms" below. In August 2014, the Governor created a non-partisan commission tasked with developing recommendations for how the State can further reform the Pension Plans. As part of its process of analyzing the condition of the Pension Plans and formulating its recommendations, the commission has requested and is expected to continue to request that the State provide to it information regarding the Pension Plans containing data in addition to or different from that presented herein and analyses using assumptions and methodologies which differ from those used herein. As a result the commission may develop for its own internal use or for public dissemination information characterizing the present and projected financial condition of the Pension Plans which differs markedly from that presented herein. The State continues to believe that the information relating to the Pension Plans contained herein, including information describing assumptions and methodologies employed, provides a reasonable basis to evaluate the status of the State's Pension Plans. Investors and other market participants should refer only to this Appendix I and official supplements thereto provided by the State.

Several lawsuits have been filed against the State relating to its pension reforms and other actions taken by the State with respect to the Pension Plans. Any result in these lawsuits that is adverse to the State can cause a deterioration in the financial condition of the Pension Plans or increase the State's contributions to the Pension Plans, or both. See below under the captions "LITIGATION — "— *Powell v. State*," "— *Berg v. Christie*" and "— *Pension Funding Litigation.*"

Membership of the Pension Plans

Membership of State Pension Plans. Almost all of the public employees of the State and its counties, municipalities and political subdivisions are members of pension plans administered by the State. Listed in order of active membership based on the most recent actuarial valuation reports dated July 1, 2013, the Pension Plans and their active and retired membership are as follows:

	Membership at June 30, 2013	
Plan	**Active**	**Retired**
Public Employees' Retirement System ("PERS")	272,846	157,410
Teachers' Pension and Annuity Fund ("TPAF")	151,318	92,080
Police and Firemen's Retirement System ("PFRS")	40,372	41,252
State Police Retirement System ("SPRS")	2,481	3,253
Judicial Retirement System ("JRS")	409	553
Consolidated Police and Firemen's Pension Fund ("CP&FPF")	0	185
Prison Officers' Pension Fund ("POPF")	0	121
Total	467,426	294,854

From June 30, 2008 to June 30, 2013, the total number of active members of all of the State-administered plans decreased by 56,681 or 10.8% and the total number of retired members increased by 47,393 or 19.2%.

Membership of Local Government Pension Plans. The State is not the only employer sponsoring PERS and PFRS. Local governments within the State participate as employers. In both of these Pension Plans, the assets that the State and the local governments contribute are invested together and generate one investment rate of return. However, both of these Pension Plans segregate the active and retired members and the related actuarial liabilities between the State and the local governments. As of June 30, 2013, those members of the PERS and PFRS for which the State is responsible for making contributions were, with respect to PERS, 83,687 active members and 50,482 retired members and, with respect to PFRS, 7,098 active members and 5,855 retired members.

Actuarial Valuations, Assumptions and Methodologies

Required Actuarial Valuations. State law requires that all Pension Plans must conduct an actuarial valuation as of the end of each Fiscal Year. Buck Consultants serves as consulting actuary for the PERS, PFRS, SPRS, JRS, CP&FPF and POPF, while Milliman, Inc. serves as consulting actuary for the TPAF. The consulting actuaries prepare the actuarial valuations and experience investigations (which are described below) for the Pension Plans. Informational copies of these reports as well as other financial information are available on the Division of Pensions and Benefits' website at: http://www.state.nj.us/treasury/pensions/financial-rprts-home.htm. No information contained on the website of the Division of Pensions and Benefits is incorporated herein by reference.

Content and Timing of Actuarial Valuations. The purpose of an actuarial valuation is to use independent actuaries to calculate the actuarial value of assets and the actuarial accrued liability of each Pension Plan in accordance with State statutes and generally recognized and accepted actuarial principles and practices. The actuarial accrued liability of a Pension Plan represents an estimate, on the basis of demographic and economic assumptions, of the present value of benefits the Pension Plan will pay to retirees over time. The actuarial valuation compares the actuarial accrued liability with the actuarial value of assets, and any excess of that liability over the assets forms an unfunded actuarial accrued liability ("UAAL") of the applicable Pension Plan. An actuarial valuation will express the percentage that a Pension Plan is funded through a "Funded Ratio" which represents the quotient obtained by dividing the actuarial value of assets of the Pension Plan by the actuarial accrued liability of the Pension Plan.

An actuarial valuation will also state an actuarially recommended contribution rate, which is a recommended rate of covered payroll that the State and other sponsoring employers contribute to the applicable Pension Plan. The actuarially recommended contribution consists of two components: (1) normal cost which represents the portion of the present value of retirement benefits that are allocable to active members' current year service, and (2) an amortized portion of the UAAL. The actuarially recommended contribution is determined in accordance with State statutes and is not the same as the Annual Required Contribution which is determined in accordance with Governmental Accounting Standard Board Statements No. 25 and 27 for purposes of meeting financial disclosure requirements. The actual amounts that the State contributes to the Pension Plans each Fiscal Year are subject to annual appropriation by the State Legislature and to actions by the Governor. The amounts that the State contributes to the Pension Plans can be and, over the last several years, have been less than the actuarially recommended contribution rates.

Ordinarily, the actuarial valuations of the Pension Plans are completed approximately 6 to 8 months after the end of a Fiscal Year. As a result, the actuarially recommended contribution rates of the actuarial valuations of the Pension Plans apply not to the Fiscal Year immediately following the Fiscal Year covered by the actuarial valuations but the second immediately following Fiscal Year. For example, the actuarially recommended rates of contribution in the actuarial valuations of the Pension Plans as of July 1, 2012 are applicable to the Fiscal Year ended June 30, 2014.

Assumptions used in Actuarial Valuations. The actuarial valuations use several actuarial assumptions to calculate the UAAL and Funded Ratio and to recommend contribution rates. These assumptions include:

expected rate of return on assets, inflation rates, future pay increases, age of retirement of active members, assumed rates of disability and post-employment life expectances of retirees and beneficiaries. The Pension Plan boards establish most of these assumptions except that the State Treasurer establishes the expected rate of return. If the experience of the Pension Plans is different from these assumptions, the UAAL of the Pension Plans may increase or decrease to the extent of any variances. If the actual experience results in a material increase in the UAAL of the Pension Plans, the State's future actuarially recommended rates of contribution would likely result in a material increase which would increase the financial burden imposed on the State of its obligation to the Pension Plans in the long term. State law requires the Pension Plans to conduct experience investigations every three years, which examine the demographic and economic assumptions used in the Pension Plans' actuarial valuations to ensure that those assumptions are consistent with historical experience. If an experience investigation results in a change in one or more assumptions, it can have a significant impact on the UAAL of a Pension Plan in the actuarial valuations following the experience investigation. For example, based on the experience investigation for PERS covering the period from July 1, 2008 through June 30, 2011, several of the demographic assumptions were changed, including the mortality rates. These assumption changes were reflected in the July 1, 2012 actuarial valuation and caused the overall UAAL and the actuarially recommended contribution of PERS to increase. Although the actual cost impact of these assumption changes on the July 1, 2012 valuation is not readily available, the overall effect of the assumption changes on the July 1, 2011 valuation results would have been an increase in the UAAL of PERS of $464.4 million or 5.6% and an increase in the full actuarially recommended contribution of the State to PERS of $56.2 million or 6.1%.

In the case of the expected rate of return of assets, the actual rate of return of the Pension Plans depends on the performance of the investment portfolio. The value of the securities in the investment portfolio can dramatically change from one Fiscal Year to the next, which could, in turn, contribute to substantial increases or decreases in the applicable UAAL. For example, for Fiscal Year 2013, the investment rate of return was 11.63%, and, for Fiscal Year 2012, it was 2.51%. The assumed rate of return applicable to those fiscal years was 7.95%. The annualized rate of return for Fiscal Year 2014, although not yet finalized, is estimated to be 15.9%, which is above the expected rate of return for valuation purposes. Annualized returns for the three-, five- and ten-year periods ending June 30, 2013 were 10.59%, 5.32% and 7.26%, respectively. The rate of return on assets assumed by the actuaries for valuation purposes is currently set at 7.90%. Buck Consultants, the actuary for all Pension Plans except TPAF, considers the 7.90% assumed rate of return to be within the acceptable range of rates although at the high end. However, Milliman, Inc., the actuary for TPAF, considers the 7.90% assumed rate of return to be outside their reasonable range and recommends a further reduction in the assumed rate of return.

Methodologies used in Actuarial Valuations. The actuarial valuations of the Pension Plans use several actuarial methods to calculate the actuarial value of assets and actuarial accrued liability of the Pension Plans. These methods are generally established by State legislation. These methods include the method of amortizing the UAAL, a method of smoothing differences between market value of assets and expected value of assets, and a method of determining when pension benefits accrue for purposes of calculating actuarial liabilities. The State Legislature may change these methods which, depending on the nature of the change, can have a substantial positive or negative impact on the UAAL of the Pension Plans.

One of the methodologies used by the Pension Plans is an asset valuation method of smoothing over a five-year period the differences between market value of assets and expected value of assets. The Pension Plans use this method to prevent extreme fluctuations that may result from temporary or cyclical economic and market conditions. As of June 30, 2013, the aggregate market value of all of the assets of the Pension Plans, as determined by the Pension Plans' actuaries, was approximately $78.3 billion. As of June 30, 2013, the aggregate actuarial value of all assets of the Pension Plans was $86.1 billion. Based on these figures, the Pension Plans have a net unsmoothed loss of approximately $7.8 billion, which is the difference, as of June 30, 2013, between the market value of their assets and the actuarial value of their assets which is calculated using the smoothing method. As a result of the smoothing of gains and losses over a five-year period under the current asset valuation method, the UAAL is lower than it would be if assets were stated at their current market value as of June 30, 2013.

The Pension Plans, except the CP&FPF and the POPF, use the level dollar amortization method in place of the level percent of pay method previously used to calculate the amount of the UAAL that is included in the actuarially recommended rates of contribution, which means that the actuary assumes that the State will pay the same dollar amount to amortize the UAAL in each year of the amortization period. The UAAL is being amortized over an open-ended 30 year period through the July 1, 2018 actuarial valuation. Beginning with the July 1, 2019 actuarial valuation, the UAAL will be amortized over a closed 30-year period until the remaining period reaches 20 years, when the amortization period will revert to an open-ended 20-year period. An open amortization period means that the period over which the UAAL is amortized re-sets to 20 years with each actuarial valuation whereas, in an closed amortization period, the period is reduced with each actuarial valuation.

Investment Portfolio

The Division of Investment of the New Jersey Department of the Treasury invests the assets of the Pension Plans. The State Investment Council is responsible for formulating the policies that govern the methods, practices or procedures for investments, reinvestments, sale or exchange transactions to be followed by the Director of the Division of Investment. State law and State Investment Council regulations regulate the types of investments which are permitted.

Benefits

General. Almost all State employees participate in one of the Pension Plans, with eight to ten years of employment required before retirement benefits become vested. Upon retirement, members of PERS and TPAF enrolled before May 22, 2010 are eligible for annual retirement benefits equal to 1/55 of final average compensation for each year of service credit. For members of PERS and TPAF enrolling on or after May 22, 2010, the annual retirement benefits will be based on 1/60 of final average compensation for each year of service credit. For members enrolled before May 22, 2010, final average compensation equals the average compensation for the final three years of service before retirement or highest three years' compensation if other than the final three years. For members enrolling on or after May 22, 2010, the final average compensation equals the average compensation calculated using a five-year period instead of a three-year period. Members of PERS and TPAF who were enrolled prior to June 28, 2011 are eligible for an early retirement benefit after 25 years of service, while members who were enrolled on or after June 28, 2011 are eligible for early retirement benefits after 30 years of service. PERS and TPAF members are also eligible for a veteran's retirement benefit after 20 and 25 years of service, if age requirements for those retirement benefits are met. Members who enrolled before June 28, 2011 can qualify for full benefits under early retirement if the member is at least age 55. If the member enrolled on or after June 28, 2011, the member does not qualify for full benefits under early retirement and must be at least age 65 to receive full benefits. Certain retirees also receive a cost-of-living adjustment in addition to their base retirement allowance under the State's pension adjustment program. The pension adjustment program, under which retirees received cost-of-living benefits, was suspended under the 2011 Pension and Health Benefit Reform Legislation; however, cost-of-living benefits earned before the suspension continue to be paid.

State law provides that the retirement benefits of the Pension Plans are not subject to negotiations between the State and other public employers and the employee members of the Pension Plans.

Legislative Changes to Benefit Levels. The State Legislature has in the past adopted laws that increased the retirement benefits payable by the Pension Plans and may do so in the future. Increases in retirement benefits increase the actuarial accrued liability of the affected Pension Plans which then increases the actuarially recommended contributions for the State for the affected Pension Plans.

State's Financial Responsibility to the Pension Plans

Annual Contributions. The State's annual actuarially recommended contribution to the Pension Plans is determined by the results of the actuarial valuation reports dated as of July 1 of each year. The actuarial funding method used to determine the State's contribution is a matter of State law. Any change to the funding method requires the approval of the State Legislature and the Governor. The amount the State actually contributes to the Pension Plan may differ from the actuarially recommended contributions of the Pension Plans because the State's contribution to the Pension Plans is subject to the appropriation of the State Legislature and actions by the Governor. See "— *Current and Historical Funding Status and Contributions*" and "STATE FUNDING OF PENSION PLANS — *Pension Reform*" below.

In PERS, the State makes employer contributions for State employees while counties, municipalities, school districts and local public agencies make such contributions for their employee members. The State, rather than local school boards, pays the employer contributions to TPAF, including the employer's share of the Social Security tax, with respect to public school teachers in the State. The PFRS is primarily established for municipal policemen and firemen. The State's participation in this Pension Plan is limited to those State-employed law enforcement officers who have been permitted to enroll therein.

The State is solely responsible for funding the benefits of the SPRS, JRS, CP&FPF and the POPF. The CP&FPF and the POPF are closed plans and not open to new membership.

State Financial Responsibility for Local Employees. Although local governmental employers participating in the PERS are, for the most part, responsible for funding the normal cost and the UAAL relating to the local governmental members of PERS, State statute stipulates that if the assets in the Benefit Enhancement Fund are insufficient to pay the normal cost portion of these increased retirement benefits for a valuation period (which is valued at $46.2 million as of the July 1, 2013 PERS actuarial valuation), the State will pay that amount of the normal cost portion for the local governmental employers not covered by the assets in the Benefit Enhancement Fund. The Benefit Enhancement Fund was established by State law in 2001 to fund increased retirement benefits. Since the establishment of the Benefit Enhancement Fund, no amounts have been credited to the Fund other than investment earnings. However, as of the July 1, 2013 PERS actuarial valuation, the level of assets in the Benefit Enhancement Fund continue to be sufficient to meet this obligation. The PERS actuarial valuation as of June 30, 2013 valued the Benefit Enhancement Fund in the local governmental portion of PERS at approximately $232.9 million. The State expects that the amounts in the Benefit Enhancement Fund will fund these benefits until the Fiscal Year ending June 30, 2022.

With respect to PFRS, the State makes a contribution to active and retired members of the local governments to cover certain retirement benefit enhancements. For Fiscal Year 2014, the State contributed $115.6 million to the PFRS of which $62.9 million was applied toward funding for local participant enhanced benefits. For Fiscal Year 2015, the Fiscal Year 2015 Appropriations Act includes a recommended contribution to the PFRS of $117.0 million of which $66.2 million represents funding for enhanced benefits for local PFRS participants.

Current and Historical Funding Status and Contributions. From the Fiscal Year ended June 30, 1997 through Fiscal Year ended June 30, 2003, the State made minimal contributions to the Pension Plans because the actuarial value of the assets in each of the Pension Plans exceeded the actuarial accrued liability and the State used that excess as a credit against the actuarially recommended contributions. The UAAL of the Pension Plans has consistently risen since Fiscal Year 2004 in part as a result of the State not contributing the full amount of the actuarially recommended contributions with respect to the Pension Plans since Fiscal Year 2003. These low levels of State funding coupled with investment losses in Fiscal Years 2008 and 2009 have caused funding levels to decrease substantially. Between the July 1, 2004 and July 1, 2010 actuarial valuations, the aggregate Funded Ratio of the Pension Plans declined from approximately 85.4% to 56.4%. As a result of this decline in the Funded Ratio of the Pension Plans, the actuarially recommended contributions of the State increased significantly.

To address the deteriorating financial condition of the Pension Plans, the 2011 Pension and Health Benefit Reform Legislation was enacted, which initially improved the overall funded status of the Pension Plans. As a result of the 2011 Pension and Health Benefit Reform Legislation, the overall funded ratio of the Pension Plans improved from 56.4% to 65.2% and the total UAAL included in the revised actuarial valuations of the Pension Plans decreased by an aggregate of $11.5 billion from $37.1 billion to $25.6 billion as of the revised July 1, 2010 actuarial valuations. Under Chapter 1, a pension reform enacted more than a year prior to the 2011 Pension and Health Benefit Reform Legislation, the State is required to resume making contributions to the Pension Plans on a phased-in basis over a seven-year period beginning in Fiscal Year 2012. During this phased-in period, the State continues to fund less than the full actuarially recommended contributions, which has caused an increase in the UAAL and a decrease in the Funded Ratio following the 2011 Pension and Health Benefit Reform Legislation. Despite the seven year phase-in of State contributions prescribed by Chapter 1, due to a shortfall in resources, pursuant to an executive order of the Governor, the State contributed $695.7 million to the Pension Plans in Fiscal Year 2014, $887 million less than the legislatively appropriated phased-in contribution of $1.582 billion required under Chapter 1. In addition, due to an anticipated shortfall in resources in Fiscal Year 2015, the Fiscal Year 2015 Appropriations Act includes a contribution to the Pension Plans of $680.6 million, which is $1.569 billion less than the required phased-in contribution of $2.249 billion. The actual contribution in Fiscal Year 2014 and the appropriated contribution for Fiscal Year 2015 represent the normal cost portion of the actuarially recommended contributions for those years. See "STATE FUNDING OF PENSION PLAN — State's Financial Responsibility to the Pension Plans — *Impact of Financial Deterioration of Pension Plans on Benefit Payments*" below.

FUNDING STATUS
PENSION FUND ACTUARIAL LIABILITIES AND ASSETS(1)
Actuarial Valuations as of July 1, 2013
(In Millions)

Pension Plan	Actuarial Value of Assets (2)	Actuarial Accrued Liability (2)	Unfunded Actuarial Accrued Liability (2)	Funded Ratio (2)	Market Value of Assets (3)
State					
PERS	$ 9,191.8	$ 19,994.0	$10,802.2	46.0%	$ 8,639.6
TPAF	30,606.0	53,645.5	23,039.5	57.1%	26,859.6
PFRS	2,033.7	4,188.5	2,154.8	48.6%	1,896.2
CP&FPF	5.6	6.1	0.5	91.5%	5.8
SPRS	1,946.6	2,870.6	924.0	67.8%	1,832.9
JRS	258.5	620.4	361.9	41.7%	244.3
POPF	8.2	4.7	(3.5)	172.1%	9.0
Subtotal	44,050.4	81,329.8	37,279.4	54.2%	39,487.4
Local					
PERS	19,975.2	27,005.8	7,030.6	74.0%	18,120.8
PFRS	22,097.0	28,811.7	6,714.7	76.7%	20,734.8
Subtotal	42,072.2	55,817.5	13,745.3	75.4%	38,855.6
Total	$86,122.6	$137,147.3	$51,024.7	62.8%	$78,343.0

Source: New Jersey Department of the Treasury, Division of Pensions and Benefits. Information was derived from the actuarial valuation reports as of July 1, 2013.

(1) The State provides additional information concerning the Actuarial Value of Assets, Actuarial Accrued Liability and Unfunded Actuarial Accrued Liability of the Pension Plans under the caption "REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS PENSION TRUST FUNDS AND HEALTH BENEFITS PROGRAM FUND" in the Required Supplemental Information portion of the 2013 CAFR.

(2) For a description of these terms, see "STATE FUNDING OF PENSION PLANS — Actuarial Valuations, Assumptions and Methodologies" above.

(3) The market value of assets as shown in the actuarial valuation reports for the Pension Plan and included in the table differs from the value of the investment portfolio of the Pension Plans as reported by the Division of Pensions and Benefits. The market value of assets of each of the Pension Plans is as set forth in the actuarial valuation reports for the Pension Plans and represents the full market value of the assets held by the Pension Plan, including expected receivable contributions from the State, local employers and participants, and excludes assets held in the Contributory Group Insurance Premium Fund and the Noncontributory Group Insurance Premium Fund.

HISTORICAL FUNDING STATUS
AGGREGATE PENSION FUND ACTUARIAL LIABILITIES AND ASSETS(1)
Actuarial Valuations as of July 1, 2007 through July 1, 2013
(in Millions)

Valuation Year Ending June 30,	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Market Value of Assets
State					
2007	$52,433.4	$71,655.8	$19,222.4	73.2%	$50,720.1
2008	52,718.2	75,763.2	23,045.0	69.6%	46,999.9
2009	50,229.5	80,956.2	30,726.7	62.0%	36,540.1
2010	48,078.5	73,713.9	25,635.4	65.2%	37,765.8
2011	46,697.6	76,805.7	30,108.1	60.8%	40,795.3
2012	45,064.0	79,434.3	34,370.3	56.7%	38,271.3
2013	44,050.4	81,329.8	37,279.4	54.2%	39,487.4
Local					
2007	$37,190.7	$46,326.3	$ 9,135.6	80.3%	$36,282.1
2008	38,655.2	50,044.3	11,389.1	77.2%	35,022.9
2009	38,890.1	53,972.1	15,082.0	72.1%	29,678.8
2010	38,849.8	49,520.7	10,670.9	78.5%	31,853.2
2011	40,024.1	51,657.7	11,633.6	77.5%	36,042.2
2012	40,875.0	53,714.2	12,839.2	76.1%	36,081.9
2013	42,072.2	55,817.5	13,745.3	75.4%	38,855.6

Source: New Jersey Department of the Treasury, Division of Pensions and Benefits. Information was derived from the actuarial valuation reports as of July 1, 2007 through July 1, 2013 for all the Pension Plans.

(1) Please refer to the footnotes of the immediately preceding table for an explanation of the categories set forth in the columns of this table. Each of the columns of this table reflects an aggregate of all of the Pension Plans. Thus, each of the indicated categories reflects a sum of that category of all of the Pension Plans for the indicated Fiscal Years (except with respect to the Funded Ratios which are the weighted average Funded Ratios of all of the Pension Plans for the indicated Fiscal Years).

SCHEDULE OF STATE & LOCAL EMPLOYER CONTRIBUTIONS TO PENSION PLANS
For the Fiscal Year Ending June 30, 2015
(In Millions)

Pension Plan	Actuarially Recommended Contributions (1)	Expected Contributions (2)(4)	Amount Unfunded (3)(4)
State			
PERS	$1,058.2	$ 138.1	$ 920.1
TPAF	2,309.7	379.9	1,929.8
PFRS	414.3	117.0	297.3
CP&FPF	0.0	0.0	—
SPRS	108.9	31.5	77.4
JRS	44.3	14.1	30.2
POPF	0.0	0.0	0.0
Subtotal	3,935.4	680.6	3,254.8
Local			
PERS	769.4	769.4	—
PFRS	733.2	733.2	—
Subtotal	1,502.6	1,502.6	—
Total	$5,438.0	$2,183.2	$3,254.8

Source: New Jersey Department of the Treasury, Division of Pensions and Benefits. Information regarding the actuarially recommended contributions was derived from the July 1, 2013 actuarial valuation reports. Information regarding the expected contributions for the State is based on the Fiscal Year 2015 Appropriations Act. Information with respect to the expected contributions of local government participating employers was derived from the July 1, 2013 actuarial valuation reports for PERS and PFRS.

(1) The actuarially recommended contributions to the indicated Pension Plans in Fiscal Year 2015 are based on the information contained in the actuarial valuations for the Pension Plans as of July 1, 2013. The PERS and PFRS local employer pension contribution excludes early retirement incentive (ERI) contributions payable in Fiscal Year 2015 by local government employers who have adopted ERI programs for their employees.

(2) For Fiscal Year 2015, the Fiscal Year 2015 Appropriations Act includes a contribution to the Pension Plans that is less than the State's contribution to the Pension Plans under Chapter 1 of 4/7th of the full actuarially recommended contribution amount. If the State were to contribute the full phased-in contribution under Chapter 1 for Fiscal Year 2015, it would equal an aggregate contribution of approximately $2.25 billion to the Pension Plans. For local participating employers, full contributions based on the actuarially recommended amounts are expected.

(3) Represents the difference between the actuarially recommended contribution and the expected contribution from the State and the local participating employers.

(4) Estimated.

SCHEDULE OF STATE & LOCAL EMPLOYER CONTRIBUTIONS TO PENSION PLANS
For the Fiscal Year Ending June 30, 2014
(In Millions)

Pension Plan	Actuarially Recommended Contributions (1)	Actual Contributions (2)	Amount Unfunded (3)
State			
PERS	$ 993.1	$ 141.2	$ 851.9
TPAF	2,161.3	388.4	1,772.9
PFRS	389.7	115.6	274.1
CP&FPF	0.9	0.0	0.9
SPRS	103.2	35.2	68.0
JRS	43.0	15.3	27.7
POPF	0.0	0.0	0.0
Subtotal	3,691.2	695.7	2,995.5
Local			
PERS	737.0	737.0	—
PFRS	699.9	699.9	—
Subtotal	1,436.9	1,436.9	—
Total	$5,128.1	$2,132.6	$2,995.5

Source: New Jersey Department of the Treasury, Division of Pensions and Benefits. Information regarding the actuarially recommended contribution of the State was derived from the addendum to the July 1, 2012 actuarial valuation reports reflecting adjusted Fiscal Year 2014 State contributions based on a change in the employer funding methodology. Information regarding the actual pension contribution of the State was obtained from the Division of Pensions and Benefits. Information with respect to the expected contributions of local governments was derived from the addendum to the July 1, 2012 actuarial valuation reports for PERS and PFRS reflecting the adjusted Fiscal Year 2014 local contributions based on the change in the employer funding methodology. Expected contributions from local governments were reduced by $135.4 million from $1,572.3 million to $1,436.9 million.

(1) The actuarially recommended contributions to the indicated Pension Plans in Fiscal Year 2014 are based on the information contained in the actuarial valuations for the Pension Plans as of July 1, 2012, as adjusted. The PERS and PFRS local employer pension contribution excludes early retirement incentive (ERI) contributions payable in Fiscal Year 2014 by local government employers who have adopted ERI programs for their employees.

(2) For Fiscal Year 2014, the State contributed less than its contribution to the Pension Plans under Chapter 1 of 3/7th of the full actuarially recommended contribution amount. If the State contributed the full phased-in contribution under Chapter 1 for Fiscal Year 2014, it would have equaled an aggregate contribution of approximately $1.58 billion to the Pension Plans. For local participating employers, full contributions based on the actuarially recommended amounts are expected.

(3) Represents the difference between the actuarially recommended contribution and the expected contribution from the State and the local participating employers.

AGGREGATE STATE & LOCAL EMPLOYER CONTRIBUTIONS TO PENSION PLANS
For the Fiscal Years Ending June 30, 2009 through June 30, 2015 (1)
(In Millions)

Fiscal Year Ending June 30,	Actuarially Recommended Contributions (2)	Actual and Expected Contributions	Amount Unfunded
State			
2009	2,230.7	106.3	2,124.4
2010	2,518.8	0.0	2,518.8
2011	3,060.5	0.0	3,060.5
2012	3,391.4	484.5	2,906.9
2013	3,600.2	1,029.3	2,570.9
2014	3,691.2	695.7	2,995.5
2015	3,935.4	680.6	3,254.8
Subtotal	$22,428.2	$ 2,996.4	$19,431.8
Local			
2009	1,168.7	1,043.9	124.8
2010	1,281.1	1,281.1	—
2011	1,611.3	1,611.3	—
2012	1,512.6	1,512.6	—
2013	1,490.6	1,490.6	—
2014	1,436.9	1,436.9	—
2015	1,502.6	1,502.6	—
Subtotal	$10,003.8	$ 9,879.0	$ 124.8
Total	$32,432.0	$12,875.4	$19,556.6

Source: New Jersey Department of the Treasury, Division of Pensions and Benefits. Information regarding the actuarially recommended contributions of the State was derived from the actuarial valuation reports as of July 1, 2007 through July 1, 2013. Information regarding the actual contributions of the State for Fiscal Years 2009 through 2014 was provided by the Division of Pensions and Benefits. Information regarding expected contributions of the State for Fiscal Years 2015 is as set forth in the Fiscal Year 2015 Appropriations Act. Information regarding the actuarially recommended contributions and the actual and expected contributions of local governments was derived from the actuarial valuation reports of PERS and PFRS as of July 1, 2007 through July 1, 2013.

(1) Please refer to the footnotes of the preceding tables for an explanation of the categories set forth in the columns of this table. Each of the columns of this table reflects an aggregate of all of the Pension Plans. Thus, each of indicated categories reflects a sum of that category of all of the Pension Plans (except with respect to the Funded Ratio which is a weighted average Funded Ratio of all of the Pension Plans).

(2) For all pension plans, the State and local employer contributions relating to an actuarial valuation as of the end of a Fiscal Year are made in the second succeeding Fiscal Year. For example, the State and local employers' contributions relating to the actuarial valuation as of July 1, 2012 will be made in Fiscal Year 2014.

Prospective Funding Status of the Pension Plans. Based on laws currently in effect and other factors currently projected to affect the funding status of the State's Pension Plans, the State continues to expect that the Pension Plans will experience an increase in their UAAL and a decrease in their Funded Ratios. Without further action on the part of the State, the amount of the State's actuarially recommended contributions to the Pension Plans will increase at least through Fiscal Year 2019. The main contributing factors are the phased-in contributions of the State to the Pension Plans pursuant to Chapter 1 and the recent suspension of this phased-in approach for Fiscal Year 2014 and Fiscal Year 2015. On May 22, 2014, the State disclosed the following:

> "Assuming contributions equivalent to the employer normal cost in Fiscal Years 2014 and 2015 and resumption of the seven-year phase-in in Fiscal Year 2016 at four-sevenths (ending with a full actuarially required contribution in Fiscal Year 2019), a preliminary analysis projects a full actuarially required contribution in Fiscal Year 2019 of approximately $4.8 billion, a UAAL in Fiscal Year 2019 of

approximately $46 billion and a Funded Ratio of the Pension Plans in Fiscal Year 2019 of 48.24%. Based on this preliminary analysis and absent any other action by the State, the State could be required to make higher than anticipated contributions in subsequent years. As the State has previously noted, future increased contributions in future Fiscal Years, depending on their magnitude, will likely create a significant burden on all aspects of the State's finances."

As noted below, on August 1, 2014, the Governor created a commission to develop recommendations as to how the State can further reform the Pension Plans. Taking into account the State's experience with the actions required to be taken with respect to the Fiscal Year 2014 and Fiscal Year 2015 pension contributions, the Governor's creation of the pension commission and general economic uncertainties, the State is unable to update or confirm the May 22, 2014 projections at this time. Actions taken subsequent to the date hereof in response to proposals by the pension committee or other proposals by the Governor or the State Legislature as well as events affecting the economic condition of the State generally could result in the funding status of the Pension Plans being better or worse than the projections referred to above and any such differences could be significant.

Impact of Financial Deterioration of Pension Plans on Benefit Payments. The continued financial deterioration of the Pension Plans will cause a substantial increase in the actuarially recommended contributions of the State to the Pension Plans. These actuarially recommended contributions can place a significant burden on all aspects of the State's finances. Further, State budgetary pressures from areas other than contributions to the Pension Plans can place pressure on the State to contribute less than its actuarially recommended contributions, as was the case in Fiscal Year 2014 and as is contemplated by the Fiscal Year 2015 Appropriations Act.

In addition to placing a significant burden on the State's finances, the continued financial deterioration of the Pension Plans will reduce the amount of assets the Pension Plans have to pay benefits to their members. As the financial condition of the Pension Plans has deteriorated, the Pension Plans' Annual Expenditures to Net Assets Ratio has generally increased since Fiscal Year 2005. To illustrate, from Fiscal Year 2008 to Fiscal Year 2013 the total net assets of all of the Pension Plans, which includes both the assets relating to State and local government active and retired members, as reported in their respective audited financial reports, decreased by $4.4 billion from $83.0 billion to $78.5 billion, while total expenditures incurred by the Pension Plans over the same period increased by $2.6 billion from $6.5 billion to $9.1 billion. The amount of these expenditures is expected to increase in future Fiscal Years. This resulted in an increase in the Annual Expenditures to Net Assets Ratio from 7.9% for Fiscal Year 2008 to 11.63% for Fiscal Year 2013. The State expects that this ratio will continue to decline. Net assets represent the difference between a Pension Plan's total assets and its liabilities and mainly consist of investment holdings, which are stated at market value, and member and employer receivables. Expenditures include retirement benefit payments, including cost-of-living adjustments, contributory and noncontributory death benefit payments, member withdrawals and administrative expenses.

The ratio of market value of assets to the prior year's benefit payments also provides an indication of the ability of the Pension Plans to meet their benefit obligations. The July 1, 2013 actuarial reports, which set forth the actuarial valuations as of June 30, 2013, include certain information described in the actuarial valuations as "risk measures" in either tabular or textual format for each of the individual Pension Plans. This information was designed to provide an indicator, described in several of the individual actuarial valuations as a "simplistic measure" of the number of years that the assets of the Pension Plans can cover benefit payments. The benefit payments used in the data are those actually paid out to retirees in Fiscal Year 2013 and exclude increases in the number of retirees, future increases in those payments, State and member contributions and investment income. Differences in the Pension Plans make the aggregation of such individual data in a single combined presentation inappropriate. For PERS-State, between June 30, 2011 and June 30, 2012, the ratio of market assets to the prior year's benefit payment decreased by 16% from 8.1 to 6.8, and between June 30, 2012 and June 30, 2013, the ratio worsened and decreased by 1.5% from 6.8 to 6.7. For TPAF, between June 30, 2011 and June 30, 2012, the ratio decreased by 10.7% from 8.4 to 7.5 and, between June 30, 2012 and June 30, 2013, the ratio did not change and remained at 7.5.

Although the current level of accumulated assets in the Pension Plans does not jeopardize the payment of pension benefits in the short term, the long-term impact of continuation of a funding policy that allows the State to contribute less than the actuarially recommended contributions could impact, at some point, the Pension Plans' ability to meet their obligations absent significant additional contributions by the State, increased investment returns or actions or events resulting in reductions to liabilities of the Pension Plans.

Pension Reforms

Chapter 1. In 2010, Chapter 1 was enacted, which provides for the State's contribution to increase by at least an additional 1/7th of the actuarially recommended contribution so that full actuarially recommended contributions are made beginning in Fiscal Year 2018 and each year thereafter. Despite the seven year phase-in of State contributions prescribed by Chapter 1, due to a shortfall in resources, the State contributed only $695.7 million to the Pension Plans in Fiscal Year 2014, $887 million less than the phased-in contribution of $1.582 billion required under Chapter 1. In addition, due to an anticipated shortfall in resources in Fiscal Year 2015, the Fiscal Year 2015 Appropriations Act includes a contribution to the Pension Plans of $680.6 million, $1.569 billion less than the required phased-in contribution of $2.249 billion. See "STATE FUNDING OF PENSION PLAN — State's Financial Responsibility to the Pension Plans — *Current and Historical Funding Status and Contributions*" above.

2011 Pension and Health Benefit Reform Legislation. On June 28, 2011, the 2011 Pension and Health Benefit Reform Legislation was enacted. The major reform measures include raising the member contribution rates in the PERS, TPAF, PFRS, SPRS and JRS. In PERS and TPAF, the member contribution rate was increased from 5.5% to 6.5% with an additional 1% increase phased-in in equal increments over a seven-year period. In PFRS and SPRS, the member contribution rate increased from 8.5% to 10% and from 7.5% to 9%, respectively. In JRS, the member contribution rate is increasing an additional 9% from 3% to 12%. The JRS member contribution rate increase is being phased-in over a period of seven years. The reforms also include suspending cost-of-living benefits in all Pension Plans, limiting future retirement benefits payable to new members in the PERS and TPAF by increasing the service retirement age from 60 to 65 and the number of years needed to qualify for early retirement benefits from 25 to 30 years with a one quarter of 1% reduction for each month under age 65, and reducing the special retirement benefit for new PFRS members from 65% of final compensation after 25 years of service and 70% of final compensation after 30 years of service to 60% of final compensation after 25 years and 65% after 30 years.

The 2011 Pension and Health Benefit Reform Legislation contains a provision stating that members of the Pension Plans now have a contractual right to the annual required contribution made by the State and local participating employers and failure by the State and local employers to make annual required contributions is deemed an impairment of the contractual right of each member. This language may limit the State's ability to reduce or limit pension contributions in response to future budgetary constraints. Notwithstanding the foregoing, the State's contributions are subject to annual appropriation by the State Legislature.

The pension reforms also include a change in the amortization method that calculates the amount of the UAAL that is included in the annual pension contribution. Under the new amortization method, the UAAL will be amortized over an open-ended 30 year period and assumed to be paid in level dollars in each year of the amortization period. In addition, beginning with the July 1, 2019 actuarial valuation, the UAAL will be amortized over a closed 30 year period until the remaining period reaches 20 years, when the amortization period will revert to an open-ended 20 year period. This change in the amortization method will ensure that a portion of the UAAL is assumed to be retired in the year that the recommended rates calculated by the actuarial valuation are applied, assuming that the State makes the full actuarially recommended contribution.

The pension reforms also include the establishment of six new pension committees for the Pension Plans which, together with the State House Commission for JRS, will have the discretionary authority to modify various aspects of the Pension Plans once they meet a targeted funded ratio. The target funded ratio is initially set at 75% in Fiscal Year 2012 and increases annually in equal increments to 80% by Fiscal Year 2018. After reaching the targeted funded ratio, these committees (and the State House Commission for JRS) will have the discretionary authority to modify member contribution rates, the formula for calculation of final compensation or final salary, the fraction used to calculate a retirement allowance, and the age at which a member may be eligible for service and early retirement benefits. The committees will also have the authority to reactivate the cost of living adjustment on pensions and to modify the basis for the calculation of the cost of living adjustment and set the duration and extent of the activation when the targeted funded ratio is reached. However, no decision of the committees (or the State House Commission for the JRS) can be implemented if the direct or indirect result of the decision causes the projected funded ratio of the applicable Pension Plan to fall below the targeted funded ratio in any valuation period during the 30 years following the implementation of the decision as determined by the actuary for the applicable Pension Plan.

New Jersey Pension and Health Benefit Study Commission. In August 2014, the Governor created the New Jersey Pension and Health Benefit Study Commission (the "Commission"). The Commission is tasked with making recommendations regarding, among other things, the goals and criteria and funding policies for a sustainable retirement and health benefit system. The Commission will issue its recommendations in a report to the Governor. The Commission is tasked with evaluating virtually every aspect of the Pension Plans and, thus, could make recommendations that, if adopted, could substantially impact the UAAL and Funded Ratio or substantially increase or decrease the State's contributions, or both.

Alternate Benefit Program

In addition to these defined benefit programs, the State also maintains the Alternate Benefit Program ("ABP"), which is a defined contribution plan for eligible employees of the public institutions of higher education in the State. Employer and employee contributions under the ABP are paid to authorized investment carriers who offer participants a variety of investment choices. The seven investment carriers for this program are ING Life Insurance and Annuity Company, Met Life, TIAA- CREF, VALIC, AXA Financial (Equitable), The Hartford and Prudential Retirement. The State pays the employer pension contribution to the ABP at a rate equal to 8.0% of the member's base salary. In addition, the State provides funding to cover the cost of noncontributory group life insurance and long-term disability insurance coverage for ABP participants. For Fiscal Years 2012 and 2013, the State contributed $178.5 million and $181.6 million, respectively, to cover pension contributions and to provide funding for noncontributory group life insurance and long-term disability benefits. For Fiscal Year 2014, the Fiscal Year 2014 Appropriations Act included $186.6 million to cover pension, noncontributory group life insurance, and long-term disability benefit costs. For Fiscal Year 2015, the Fiscal Year 2015 Appropriations Act includes $194.3 million to cover such benefit costs. Since the ABP is a defined contribution plan and not a defined benefit plan, the State's sole obligation with respect to the ABP is to make the annual contributions and the State has no responsibility to ensure that the participating employees ultimately receive a level of benefit.

Defined Contribution Retirement Program

The State Legislature adopted legislation in the Fiscal Year ending June 30, 2007, L. 2007, c.92, amended by L. 2007, c.103, L. 2008, c.89, and L. 2010, c.1, which required the establishment of the Defined Contribution Retirement Program (the "DCRP"). The DCRP includes a defined contribution plan providing pension benefits for elected and appointed officials, for certain PERS, TPAF, PFRS and SPRS employees with pensionable wages in excess of the Social Security wage base limit and certain part-time employees ineligible for membership in the PERS and TPAF. The DCRP also includes noncontributory group life insurance and long-term disability benefits for participants. The employee pension contribution rate for the DCRP is 5.5%. Employers are required to contribute an additional 3.0% of base salary on behalf of employees enrolled in the plan to fund pension benefits. With regard to PERS, TPAF, PFRS and SPRS members that are enrolled in the DCRP because their pensionable wages exceed the Social Security wage base limit, contributions are based on compensation in excess of the Social Security wage base limit.

Eligibility for membership in the DCRP was expanded in accordance with L. 2010, c.1. Under this legislation, those who are no longer eligible for the PERS and TPAF because they work less than full-time are eligible to participate in the DCRP, provided their annual salary is $5,000 or higher.

For Fiscal Year 2014, the State contributed $1.2 million to the DCRP to cover pension benefit costs and $39,000 to cover insurance benefit costs. For Fiscal Year 2015, the Fiscal Year 2015 Appropriations Act includes $1,268,000 as the State's pension contribution to the DCRP and $410,000 to cover insurance benefit costs.

Central Pension Fund. The State also administers the Central Pension Fund ("CPF"), which is a single-employer noncontributory defined benefit plan for special groups that are not included in other State-administered systems. The State funds the CPF on a pay-as-you-go basis. There are no State or local government employees covered by the CPF.

Noncontributory Life Insurance. The State funds noncontributory insurance benefit costs for active and retired State employees. State appropriations are received on a monthly basis to cover actual benefit charges incurred and payable to beneficiaries of active and retired State employees plus administrative fees charged by the insurance providers. The State funds these benefit costs on a pay-as-you-go basis and does not actuarially determine the future liability of these benefit costs; therefore benefit costs can fluctuate from year to year. For Fiscal Year 2014, the State contributed $76.7 million to cover noncontributory insurance benefit costs. For Fiscal Year 2015, the Fiscal Year 2015 Appropriations Act includes $79.1 million to fund noncontributory insurance benefit costs.

Recent Accounting Changes Affecting Pension Plans Generally.

On June 25, 2012, GASB approved two new standards designed to improve the accounting and financial reporting of public employee pensions by state and local governments and enhance the usefulness of pension information for making decisions and assessing accountability. New GASB Statement No. 67, *Financial Reporting for Pension Plans,* replaces GASB Statement No. 25, and revises existing guidance for the financial reports of public pension plans. New GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* replaces GASB Statements No. 27 and No. 50, and revises and establishes new financial reporting requirements for governmental employers that provide their employees with pension benefits. Although these new GASB Statements are intended to improve comparability between public pension plans by standardizing the way certain financial data relating to these plans are disclosed, they do not require plans to change their methods used to compute actual employer contributions to the plan. Employer contributions to the Pension Plans continue to be calculated per the requirements of the governing State statutes using generally accepted actuarial procedures and practices.

The new GASB Statements have been formally issued; however, their impact has not yet been identified. It is anticipated, however, that the changes will have a material impact on the Pension Plans' liabilities and funded level, as currently disclosed. The changes are expected to increase pension liabilities, and decrease funded levels, for disclosure purposes.

New GASB Statements No. 67 and 68 will require governmental plans to utilize the entry age normal actuarial cost method to compute pension liabilities and annual actuarially required contributions for disclosure purposes as opposed to the projected unit credit actuarial cost method, currently the statutorily required method used by the Pension Plans to calculate actual employer contributions. Under the entry-age normal actuarial cost method, pension liabilities are projected to the members' assumed retirement date and the annual normal cost of each member's pension is allocated as either a level amount or a level percent of payroll between the time employment starts (entry age) and the assumed retirement date. The goal is to spread the normal cost evenly over the career of the member. Under the projected unit credit actuarial cost method, pension liabilities are represented as the benefits that have accrued to members as of the valuation date and the normal cost represents the cost of benefits accrued to members during the plan year. By comparison, the entry-age normal actuarial cost method results in a more level contribution pattern. The projected unit credit generates costs which are directly attributable to the value of benefits being earned.

The new GASB Statements will require that the discount rate used to discount projected benefit payments to their present value will be based on a single rate that reflects (a) the long-term expected rate of return on plan investments as long as the plan net position is projected under specific conditions to be sufficient to pay pensions of current employees and retirees and the pension plan assets are expected to be invested using a strategy to achieve that return; and (b) a yield or index rate on tax-exempt 20-year, AA- or higher rated municipal bonds to the extent that the conditions for use of the long-term expected rate of return are not met. It is anticipated that this change may result in a discount rate which is substantially lower than the 7.90% rate currently used to discount the projected benefits of the Pension Plans.

As with the former standards, new GASB Statements No. 67 and 68 relate only to accounting and financial reporting and do not address how governments are to approach pension plan funding (i.e. the computation of actual employer contributions). The provisions in new GASB Statement No. 67 arc effective for financial statements for periods beginning after June 15, 2013. The provisions in new GASB Statement No. 68 are effective for fiscal years beginning after June 15, 2014.

FUNDING POST-RETIREMENT MEDICAL BENEFITS

In addition to the pension benefits, the State provides post-retirement medical (PRM) benefits for certain State and other retired employees meeting the service credit eligibility requirements. This includes retired State employees of PERS, TPAF, PFRS, SPRS, JRS and ABP; local retired TPAF and other school board employees; and some local PFRS retirees. To become eligible for this State-paid benefit, a member of these Pension Plans must retire with 25 or more years of pension service credit or on a disability pension. These benefits are provided through the State Health Benefits Program (SHBP) and the School Employees' Health Benefits Program (SEHBP). The SHBP and the SEHBP are administered by the Division of Pensions and Benefits. The benefits provided include medical, prescription drug, and Medicare Part B and Part D reimbursement for covered retirees, spouses and dependents. In Fiscal Years 2014, the State paid PRM benefits for 135,011 State and local retirees.

The State funds post-retirement medical benefits on a "pay-as-you-go" basis, which means that the State does not pre-fund, or otherwise establish a reserve or other pool of assets against the PRM expenses that the State may incur in future years. For Fiscal Year 2014, the State contributed $1.396 billion to pay for pay-as-you-go PRM benefit costs incurred by covered retirees. For Fiscal Year 2015, the Fiscal Year 2015 Appropriations' Act includes $1.701 billion as the State's contribution to fund pay-as-you-go PRM costs. The increase in the State's pay-as-you-go contribution is attributable to rising health care costs as well as an increase in the number of participants qualifying for State-paid PRM benefits at retirement. In addition, the State utilized available reserves in the State Health Benefits Program Fund to reduce the amount of funding required in Fiscal Year 2014 to cover incurred claim costs. The State expects that funding to cover the pay-as-you-go PRM benefit costs will continue to increase going forward. However, as a result of health reform measures enacted by the State in 2011, including a requirement that certain future retirees eligible for State-paid coverage contribute toward such coverage, the rate of growth in the State's contribution should begin to decrease in the future. (See "FUNDING POST-RETIREMENT MEDICAL BENEFITS—*Pension and Health Benefits Reform*" herein.

In accordance with the provisions of GASB Statements No. 43 and 45, the State is required to quantify and disclose its obligations to pay PRM to current and future retirees. Based on the most recent valuation of these benefits and as summarized in the report, "Postemployment Benefits Other Than Pension Actuarial Valuation," submitted to the Division of Pensions and Benefits by Aon Hewitt in April 2014, the Fiscal Year 2013 actuarial accrued liability of the State to provide PRM to active and retired members of the Pension Plans, which is based upon GASB 43 results as of July 1, 2013, has been measured to be $53,000.1 million, an increase of $1,498 million or 2.91% as compared to the Fiscal Year 2012 actuarial accrued liability of $51,502.6 million. An informational copy of the valuation report has been posted on the Division of Pensions and Benefits' website at http://www.state.nj.us/ treasury/pensions/financial-rprts-home.htm. GASB Statement No. 45 does not impose any requirement on the State to pre-fund its PRM actuarial accrued liability.

The results of the report are summarized in the table below.

	GASB Statement No. 43 Results ($ millions) as of July 1, 2013		
	State	**Education-State**	**Total**
Actuarial Accrued Liability*			
Active	$10,123.1	$19,163.4	$29,286.5
Retired	$ 9,623.6	$14,090.0	$23,713.6
Total	$19,747.7	$33,253.4	$53,000.1

*Assuming no pre-funding of obligations

The amounts set forth in this table exclude the actuarial accrued liability of the Local Governmental Employers who are participating in the State Health Benefits Program. The PRM actuarial accrued liability for the local governmental employers is $13,804.5 million. The State has no legal responsibility with respect to the PRM obligations of Local Governmental Employers.

Aon Hewitt calculated the State PRM actuarial accrued liability based on plan provisions, as provided by the State, along with certain demographic and economic assumptions recommended by Aon Hewitt and approved by the State, and which conform to the requirements of GASB 43 and 45. Aon Hewitt used the Projected Unit Credit Actuarial Method to calculate the PRM actuarial accrued liability of the State and local participating employers. Many of the actuarial assumptions used to project the PRM actuarial accrued liability are the same as those used to determine the accrued actuarial liabilities of the Pension Plans. The discount rate used to determine the retiree healthcare liabilities is 4.5%, which is the maximum discount rate that GASB 43 and 45 permit when employers do not pre-fund their PRM actuarial accrued liabilities. When projecting the growth of expected claims of the lifetimes of the qualifying retirees, (1) Aon Hewitt assumed that pre-age 65 healthcare expenses would increase at a rate of 8.0% in Fiscal Year 2014 and decrease to a 5.0% long-term trend for all medical benefits after 7 years, post-age 65 healthcare expenses for the HMO plans would increase at a rate of 8.0% in Fiscal Year 2014 and decrease to a 5.0% long-term trend after 7 years and post-age 65 healthcare expenses for the PPO plans would increase at a trend rate of 5% per year and (2) Aon Hewitt assumed that prescription drug expenses would increase at a rate of 8.0% for current and future retirees in Fiscal Year 2014 and decrease to a 5.0% long-term trend rate after 7 years. For additional information regarding the PRM actuarial accrued liability of the State and local employers, including a detailed description of the related actuarial methods and assumptions, refer to the July 1, 2013 State of New Jersey, Postemployment Benefits Other Than Pension Actuarial Valuation. An informational copy of the valuation report has been posted on the Division of Pensions and Benefits' website at: http://www.state.nj.us/treasury/pensions/financial-rprts-home.htm. The valuation reports for the years July 1, 2006 through July 1, 2012 are posted on the web site.

SCHEDULE OF ACTUARIAL STATUS OF POST-RETIREMENT MEDICAL BENEFITS
Actuarial Valuations as of July 1, 2006 through July 1, 2013
(In millions)

Actuarial Valuation Date	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAA as a Percentage of Covered Payroll	Actual Pay-As You-Go Contribution
State & Education					
7/1/2006	$58,059.0	0%	n/a	n/a	$ 955.8
7/1/2007	$50,649.5	0%	n/a	n/a	$1,021.6
7/1/2008	$55,913.5	0%	$20,180.2	277.1%	$1,055.7
7/1/2009	$56,782.5	0%	$20,794.4	273.1%	$1,045.7
7/1/2010	$59,282.0	0%	$20,870.0	284.1%	$1,111.8
7/1/2011	$48,949.7	0%	$20,286.7	241.3%	$1,191.6
7/1/2012	$51,502.6	0%	$20,513.9	251.1%	$1,221.8
7/1/2013	$53,000.1	0%	$20,964.3	252.8%	$1,360.0
Local					
7/1/2006	$10,774.6	0%	n/a	n/a	$ 159.5
7/1/2007	$ 9,096.6	0%	n/a	n/a	$ 159.2
7/1/2008	$ 8,840.5	0%	$ 2,411.7	366.6%	$ 145.2
7/1/2009	$10,010.4	0%	$ 2,607.2	384.0%	$ 142.0
7/1/2010	$12,089.8	0%	$ 2,844.1	425.1%	$ 173.6
7/1/2011	$11,127.0	0%	$ 2,831.0	393.0%	$ 204.7
7/1/2012	$12,378.1	0%	$ 2,937.0	421.4%	$ 245.5
7/1/2013	$13,804.5	0%	$ 3,156.0	437.4%	$ 306.6

Source: New Jersey Department of the Treasury, Division of Pensions and Benefits. Information regarding the unfunded actuarial accrued liability, funded ratio, and covered payroll was derived from the Postemployment Benefits Other Than Pension Actuarial Valuation Reports dated July I, 2006 through July I, 2013. Information regarding the actual pay-as-you-go contributions was provided by the Division of Pensions and Benefits.

(1) The actuarial accrued liability is the liability or obligation for benefits earned by active and retired employees through the valuation date based on certain actuarial methods and assumptions. The majority of this obligation is for active employees.

Pension and Health Benefits Reform. On June 28, 2011, the Governor signed into law health benefits reform as part of the 2011 Pension and Health Benefits Reform Legislation which requires all public employees participating in the SHBP and SEHBP to contribute more toward their health insurance coverage. The legislation also requires certain future retirees eligible for State-paid health insurance coverage at retirement to contribute toward the cost of their post-retirement medical coverage. Specifically, the 2011 Pension and Health Benefits Reform Legislation requires active employees to pay a percentage of the premium for the level of coverage selected by the employee. The percentage will vary based on the employee's base salary and the coverage level and will range from 3% for the lowest paid employees to 35% for the highest paid employees. For those employees employed as of June 28, 2011, the contribution rates will be phased-in over a four year period in increments of 25% per year. New employees hired on or after June 28, 2011 will be required to contribute at the full rate. The 2011 Pension and Health Benefits Reform Legislation establishes a minimum employee contribution of 1.5% of salary in the first year due to the 4-year phase-in provision; however, beginning in the second year of the 4-year phase-in period, which commenced in July 2012, most employees were required to pay a higher contribution based on the new percentage as reflected on the premium tables. By July, 2014, the 4-year phase-in period will be completed for most State employees. Pursuant to the 2011 Pension and Health Benefits Reform Legislation, future retirees eligible for PRM coverage who on June 28, 2011 had less than 20 years of creditable service will also be required to pay a percentage of the cost of their health care coverage at retirement under the new law provided they retire with 25 or more years of pension service credit. However, the percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

In accordance with the 2011 Pension and Health Benefits Reform Legislation, two new Plan Design Committees have been formed, one for the SHBP and one for the SEHBP. These new committees have established new plan design options for participating employees and retirees in the SHBP and SEHBP with lower premiums in exchange for higher copayments, deductibles and other participant costs. The new plan design options include High Deductible Health Plans with a Health Savings Account component. The State Health Benefits Commission and the School Employees' Health Benefits Commission approved the new plan design options on October 12, 2011, which were available to participants beginning January 1, 2012. The Commissions approved additional lower cost plan design options established by the design committees which were available to participants beginning January 1, 2014.

As shown in the *Schedule of Actuarial Status of Post-Retirement Medical Benefits* above, the total unfunded actuarial accrued liability (UAAL) for post-retirement medical benefits for which the State is liable increased by $1.498 billion or 2.91% between the July 1, 2012 and July 1, 2013 actuarial valuations from $51.503 billion to $53.0 billion. This increase in the post-retirement medical UAAL is attributable to the State continuing to fund post-retirement medical benefits on a pay-as-you-go basis as opposed to prefunding benefits by making the actuarially recommended normal contribution and making a contribution toward the unfunded liability. The reduction in the post-retirement medical UAAL between the July 1, 2010 and July 1, 2011 actuarial valuations was mainly attributable to a change in the prescription drug Medicare integration from the Retiree Drug Subsidy (RDS) to an Employer Group Waiver Program (EGWP) effective January 1, 2012. In addition, GASB regulations allow such federal payments and reimbursements under EGWP to be reflected in the total UAAL. As a result of the change in the prescription drug Medicare integration, the State's portion of the total UAAL for post-retirement medical benefits decreased by an estimated $9.437 billion or 16% as of the July 1, 2011 actuarial valuation. The reduction in the State's portion of the total post-retirement medical UAAL between the July 1, 2010 and July 1, 2011 actuarial valuations was also attributable to the health reform measures included in the 2011 Pension and Health Benefits Reform Legislation, which lowered unfunded accrued liabilities by approximately 4.0% or $2.5 billion as of July 1, 2011.

LITIGATION

The following are cases presently pending or threatened in which the State has the potential for either a significant loss of revenue or a significant unanticipated expenditure.

Bacon v. New Jersey Department of Education. On September 8, 2014, the *Bacon* districts (sixteen rural, poor school districts) filed a verified complaint and order to show cause in the New Jersey Superior Court, Law Division. The *Bacon* districts previously had a multi-year administrative litigation (which ended in 2006) against the New Jersey Department of Education ("DOE") to determine whether the prior funding formula under the Comprehensive Educational Improvement and Financing Act ("CEIFA") was unconstitutional as applied to the *Bacon* districts. While factual findings were made that the *Bacon* districts were not providing a thorough and efficient education to their students, in March 2008, the Appellate Division ordered the DOE Commissioner to conduct a needs assessment of the *Bacon* districts to determine whether the School Funding Reform Act of 2008 ("SFRA") provided sufficient funds to the *Bacon* districts in order to provide a thorough and efficient education to their students. The reports concluded that sufficient funds were available but also directed regionalization studies, training and technical assistance. Plaintiffs now allege that because the *Bacon* districts have not received the State aid required under SFRA, the *Bacon* district students are being deprived of a thorough and efficient education as called for in the State Constitution. The Plaintiffs seek an order "requiring the provision of K-12 funding, preschool, facilities improvements and other measures as determined necessary to remedy the continuing constitutional violation" in the *Bacon* districts. The State intends to vigorously defend this matter.

FiberMark North America, Inc. v. State of New Jersey, Department of Environmental Protection. This lawsuit was filed in Superior Court, Law Division, Hunterdon County on May 27, 2008 by FiberMark North America, Inc. ("FiberMark") as owner of the Warren Glen waste water treatment facility ("Warren Glen") in Hunterdon County against the Department of Environmental Protection ("DEP"). FiberMark's complaint asserted claims against DEP under the New Jersey Eminent Domain Act, *N.J.S.A.* 20:3-1 *et seq*., Article 1, Paragraph 20 of the State Constitution and the 5th and 14th Amendments of the United States Constitution, and for trespass, private nuisance, negligence and dangerous condition under the New Jersey Tort Claims Act, *N.J.S.A.* 59:1-1 *et seq*. Specifically, FiberMark alleged that DEP was responsible for unpermitted discharges of landfill pollutants into FiberMark's waste water treatment lagoon #1 at Warren Glen from a neighboring landfill. FiberMark also claimed that it has suffered damages due to incurred maintenance costs for Warren Glen, taxes, utility fees, license fees and operating fees and costs associated with Warren Glen, costs to operate the wastewater treatment system for Warren Glen, costs associated with delay in the clean-up of Warren Glen under the ISRA statutes, consulting and legal fees, and other costs resulting from being unable to cease operations and to decommission and sell Warren Glen.

FiberMark claims it is the successor to a 1991 landfill agreement ("1991 Agreement"), by which FiberMark was obligated to receive and treat leachate from the neighboring landfill in FiberMark's waste water treatment lagoons before discharge into the Musconetcong River. FiberMark claims that as part of a voluntary Chapter 11 bankruptcy petition for reorganization filed in the State of Vermont, the bankruptcy court granted FiberMark's motion to reject the 1991 Agreement on June 23, 2005. FiberMark claims it has had no responsibility to treat the leachate from the neighboring landfill since that date and has suffered damages from DEP's alleged illegal discharges of leachate onto Warren Glen, and that DEP forced FiberMark to continue treating leachate discharged from the neighboring landfill from March 2006 through September 13, 2007. In April 2007, DEP successfully rerouted the leachate so that it no longer runs onto Warren Glen and is permanently enjoined, on a prospective basis, from allowing leachate to run onto Warren Glen pursuant to a partial consent judgment entered into by the parties on September 12, 2007 in a related federal case, *FiberMark North America Inc. v. Jackson*. At the conclusion of FiberMark's presentation of its case at trial, DEP moved to dismiss the matter, which the court granted. On May 26, 2009, Fibermark filed several motions with the trial court and filed a notice of appeal with the Appellate Division. On July 6, 2009, Fibermark filed a motion with the Appellate Division requesting the Appellate Division compel the trial court to decide the motions previously filed with the trial court. By order dated September 18, 2009, the Appellate Division temporarily remanded the matter for 30 days to the trial court to rule on the post-judgment motions. On October 23, 2009, the trial court issued a decision from the bench denying FiberMark's motions. On August 5, 2011, the Appellate Division issued a decision affirming the trial court's decision in part, reversing in part and remanding for further proceedings.

The Appellate Division affirmed the trial court's dismissal of FiberMark's continuing trespass, continuing dangerous condition and inverse condemnation claim and the trial court's denial of FiberMark's motion to amend its pleadings. The Appellate Division agreed with the trial court's conclusion that FiberMark should not be permitted to seek damages based on allegations that FiberMark sold Warren Glen for a reduced amount after an option for the sale of the property fell through on account of the leachate.

However, the Appellate Division reversed the trial court's dismissal of the nuisance claim and remanded this claim to the trial court. The Appellate Division also held that FiberMark should be permitted to seek reimbursement for the costs it incurred in continuing to operate the leachate treatment lagoons after it stopped operating the paper mill.

The trial court has declined to stay the proceedings on remand, and DEP filed a motion for summary judgment on the nuisance claims remanded to the trial court on October 5, 2011. On February 22, 2012, the jury returned a verdict in favor of DEP, finding that DEP did not commit a nuisance. On March 7, 2012, FiberMark filed a motion seeking a new trial, which was denied by the trial court. FiberMark appealed the trial court's denial and on May 27, 2014 decision, the Appellate Division affirmed the decision below that DEP did not commit a nuisance. The State is vigorously defending this matter.

New Jersey Department of Environmental Protection et al. v. Occidental Chemical Corporation, et al. In December 2005, the DEP, the Commissioner of DEP, and the Administrator of the New Jersey Spill Compensation Fund (collectively, "Plaintiffs") filed suit in the Superior Court, Law Division, Essex County against Occidental Chemical Corporation ("Occidental"), Maxus Energy Corporation ("Maxus"), Tierra Solutions, Inc. ("Tierra"), Repsol YPF, S.A. ("Repsol"), YPF, S.A. ("YPF"), YPF Holdings, Inc. and CLH Holdings, Inc. seeking costs and damages relating to the discharge of dioxin into the Passaic River and its environs by Diamond Shamrock Corporation ("Diamond Shamrock"), a predecessor of defendant Occidental. In November 2008, Maxus and Tierra filed counterclaims against the Plaintiffs seeking, among other things, (a) contribution under the New Jersey Spill Compensation and Control Act, *N.J.S.A.* 58:10-23.11 to -23.24 (the "Spill Act"), for an equitable share of any Passaic River cleanup and removal costs and damages for which Maxus and Tierra may be found liable, (b) claims under the Environmental Rights Act, *N.J.S.A.* 2A:35A-1 to 35A-14, and an injunction against the issuance of permits issued in violation of *N.J.S.A.* 58:14-7 and -8; (c) the abatement of discharges of untreated or inadequately treated wastewater in the Newark Bay Complex; the abatement of pollution sources from outside the Newark Bay Complex; and an order removing DEP as trustee for natural resources within the Newark Bay Complex, (d) a judgment finding DEP liable for aiding and abetting discharges of polluting matter into the Passaic River, and an injunction prohibiting DEP from permitting or condoning the further discharge of polluting matter into the Passaic River or its tributaries, (e) the reduction or extinction of any judgment rendered against Maxus and Tierra under the doctrine of recoupment, (f) a judgment that DEP is liable for public nuisance in the event that all or part of the Newark Bay Complex is determined to be a public nuisance, (g) an order imposing on the Plaintiffs an equitable share of any relief the court might order on the Plaintiffs' public nuisance claims, (h) an order setting off the Plaintiffs' share of liability for discharges of hazardous substances into the Newark Bay Complex and an order setting off any benefits that the Plaintiffs have received from activities that contaminated the Newark Bay Complex against any liability that Maxus and Tierra may have, and (i) contribution for a proportionate share of cleanup and removal costs, damages or other losses for which Maxus and Tierra may be held liable or that they have incurred or may incur for the Newark Bay Complex. In February 2009, Maxus and Tierra filed third party complaints against the State, the Department of Agriculture ("NJDA"), New Jersey Transit and the Department of Transportation ("NJDOT"), among others, seeking contribution from each of these Third Party Defendants. With respect to NJDOT, Maxus and Tierra allege that hazardous substances were discharged into the Newark Bay Complex from the Kearny Oil Lake Site while NJDOT owned and operated that site and that NJDOT is a discharger under the Spill Act. With respect to the NJDA, Maxus and Tierra allege that mosquito spraying conducted by the NJDA in the vicinity of the Passaic River or its tributaries contributed to the contamination in the Passaic River. NJDOT and NJDA joined in separate motions to dismiss portions of the third party complaint filed by Maxus and Tierra. In December 2010, the Special Master assigned to this matter recommended the dismissal of certain of Maxus and Tierra's counterclaims against Plaintiffs and cross claims against the State, as a third-party defendant. Specifically, the Special Master recommended dismissal of Maxus and Tierra's claims: (1) against DEP and the State involving their regulatory roles, including those for failure to enforce the law; (2) involving the State's ownership of submerged lands; (3) alleging that DEP and/or the State improperly issued certain permits; (4) against DEP involving spraying of DDT; (5) against DEP and the State involving the Kearny Oil Lake site; and (6) against DEP and the State alleging violation of the Public Trust Doctrine. Maxus and Tierra appealed the Special Master's recommendation to the court. On March 8, 2011, the court adopted the Special Master's recommendations and dismissed certain of Maxus and Tierra's claims against DEP and all of the claims against the State, as third party defendant and issued an order to that effect on May 11, 2011.

On July 19, 2011, the court ruled that Occidental, as the successor to Diamond Shamrock is strictly, jointly and severally liable under the Spill Act for all cleanup and removal costs associated with the hazardous substances discharged by Diamond Shamrock from the Lister Avenue Site into the Passaic River between 1951 and 1969. A similar judgment was rendered under the Spill Act against Tierra on August 24, 2011, on the basis that Tierra, the current owner of Diamond Shamrock's Lister Avenue Site, knowingly took title to the contaminated Lister Avenue Site. The court also granted Occidental's motion for partial summary judgment against Tierra, finding that Tierra was liable to Occidental in contribution on the same basis. On that same date, Occidental also obtained a judgment against Maxus on a claim for indemnity under a 1986 Stock Purchase Agreement, whereby Occidental purchased all of the stock of Diamond Shamrock from Maxus. The court found that Maxus was liable to Occidental in perpetuity for any cleanup and removal costs paid by Occidental as the successor to Diamond Shamrock. On May 21, 2012, the court granted the State's motion for partial summary judgment against Maxus on liability, finding Maxus, as the alter ego of Tierra, strictly liable, jointly and severally under the Spill Act for all cleanup and removal costs associated with the hazardous substances discharged at and from the Lister Avenue site. The judgment against Maxus concluded the liability phase of the action.

Both the Plaintiffs and Occidental have alleged that Repsol and YPF committed a fraud upon both parties by systematically stripping assets from Maxus leaving Maxus unable to satisfy any Passaic River cleanup liabilities that may be imposed on it.

On January 22, 2013, attorneys for the Plaintiffs and several hundred Third-Party Defendants (including NJDOT and NJDA) informed the court that they reached preliminary agreement on a proposed Consent Judgment to settle certain claims. On March 23, 2013, the State informed the court that a super-majority of the Third-Party Defendants had approved the Consent Judgment. On October 28, 2013 the Consent Judgment was submitted to the court for approval and was approved on December 12, 2013.

On April 15, 2013, attorneys for the Plaintiffs and Defendants Tierra; Maxus; Maxus International Energy Company; Repsol; YPF; YPF Holdings, Inc.; YPF International S.A., and CLH Holdings, Inc. (collectively, the "Settling Defendants") informed the court that they had agreed on a confidential term sheet setting forth a framework to resolve the claims between them and also informed the court that they had reached preliminary agreement on a proposed Settlement Agreement. On June 7, 2013, the Plaintiffs reported to the court that the Settling Defendants had approved the Settlement Agreement. On October 28, 2013 the Settlement Agreement was submitted to the court for approval and was approved on December 12, 2013.

Occidental is not participating in the Settlement Agreement with the Settling Defendants, and filed a notice of appeal on January 24, 2014 with the Appellate Division. On March 26, 2014, the Appellate Division granted the State's motion for summary disposition and affirmed the Settlement Agreement. Occidental currently is the only original Defendant remaining in the case, and certain State claims against Occidental continue to be litigated. Occidental's fraudulent conveyance claims against Repsol, S.A. and YPF, S.A. also continue to be litigated. The trial dates for both sets of claims will be set by future order of the court. The State is vigorously defending this matter.

East Cape May Associates v. New Jersey Department of Environmental Protection. This matter is a regulatory taking case in which the Plaintiff claims that it is entitled to in excess of $30 million in damages for a taking of its property without just compensation. The property is approximately 96 acres of freshwater wetlands in the City of Cape May. Plaintiff filed its complaint in Superior Court, Law Division, on December 8, 1992, after the DEP denied an application for 366 single family homes. On motion for summary judgment, the trial court ruled that the State was liable for a regulatory taking as of December 1992. Thereafter, the New Jersey Appellate Division held that DEP could avoid liability by approving development on the property under Section 22(b) of the Freshwater Wetlands Protection Act. In addition, the Appellate Division remanded the case for a determination of whether the "property" also included 100 acres previously developed by the Plaintiff's principals. On remand from the Appellate Division, the trial court ruled on October 8, 1999 that the "property" did not include the 100 acres previously developed, and that DEP could not approve development of the 80 remaining acres without first adopting rules. Since DEP had not adopted rules, the trial court held that DEP's development offer of 64 homes on the 80 acres was ineffective and DEP was liable for a taking of the property. The State filed an appeal of the trial court's decision and East Cape May Associates filed a cross-appeal. On July 25, 2001, the Appellate Division affirmed the trial court's decision, and found that before DEP could approve limited development to avoid a taking, it was required to adopt rules. The Appellate Division remanded the case for such rule-making, the making of a development offer under the rules, and a determination by the trial court as to whether the new offer complies with the rules and avoids a taking. East Cape May Associates petitioned the New Jersey Supreme Court for certification of this decision, which was denied. Upon remand from the Appellate Division, DEP promulgated regulations to implement Section 22(b), which took effect on January 22, 2002. On July 1, 2009, the parties reached a settlement of the case, and submitted a consent order and stipulation of dismissal to the trial court contingent upon federal approval from the United States Army Corps of Engineers. The relevant federal agencies expressed opposition to the proposed settlement. On May 25, 2012, East Cape May Associates served notice asserting its rights to terminate the settlement, demanding that within 60 days DEP initiate the reconsideration process. DEP has initiated the reconsideration process pursuant to the regulations. The State is vigorously defending this matter.

Powell v. State. On September 12, 2011, seven State and local employees filed suit in Superior Court, Law Division, Mercer County, subsequently transferred to Burlington County, against the State, various Executive Branch officials, and the State Legislature challenging various provisions of Chapter 78 that concern health benefits on various State constitutional law grounds. On October 20, 2011 and November 16, 2011, respectively, the State Legislative Branch Defendants and the State Executive Branch Defendants filed motions to dismiss for failure to state a claim upon which relief may be granted. The court bifurcated the State Legislative Branch Defendants' motion to dismiss from the State Executive Branch Defendants' motion to dismiss. The court granted the State Legislative Branch Defendants' motion to dismiss on August 24, 2012. On March 8, 2013, the court granted the State Executive Defendants' motion to dismiss. The State employees did not appeal. However, three municipal firefighters appealed. On August 15, 2014, the Appellate Division upheld the Court's decision to dismiss the complaint. The time to file a notice of petition for certification with New Jersey Supreme Court has expired.

Berg v. Christie. On December 2, 2011, a number of retired Deputy Attorneys General and retired Assistant Attorneys General (collectively, the "Plaintiffs") filed a lawsuit in Superior Court, Law Division, Mercer County against various State officials challenging the constitutionality of Section 25 of Chapter 78, which temporarily suspends the payment of pension adjustments to retired public employees. The Plaintiffs allege violation of multiple provisions of both the State and federal constitutions and seek monetary damages, injunctive relief, and a declaratory judgment. On February 2, 2012, the State filed a motion to dismiss for failure to state a claim upon which relief may be granted. On March 16, 2012, Plaintiffs' filed cross-motion for summary judgment. On April 16, 2012, the New Jersey Education Association and other labor organizations (collectively, the "NJEA") filed a motion to intervene or, in the alternative, to be permitted to submit an amicus brief. On April 23, 2012, the court granted NJEA's motion to intervene permissively. On June 7, 2012, the court entered an Order granting the State's motion to dismiss, denying Plaintiffs' cross-motion for summary judgment, and dismissing Plaintiffs' Complaint. On June 20, 2012, the court issued an amended Order that 1) converted the State's motion to dismiss into a motion for summary judgment, 2) granted the

State's motion for summary judgment, 3) denied the Plaintiffs' cross-motion for summary judgment, 4) dismissed the Plaintiffs' Complaint, 5) dismissed NJEA's Complaint-in-Intervention, and 6) vacated its June 7, 2012 Order. Plaintiffs filed an appeal on August 1, 2012. The NJEA, as Plaintiff-Intervenors, filed a notice of appeal and a motion to consolidate their appeal with the appeal that the Plaintiffs' have filed. On October 4, 2012, the Appellate Division consolidated *Berg v. Christie* and the appeal of the NJEA Plaintiff-Intervenors which challenged the provision of Chapter 78 that temporarily suspends future COLA payments. On June 26, 2014, the Appellate Division reversed the trial court's grant of summary judgment and remanding for determination of whether Plaintiffs can meet the remaining prongs of a contract clause impairment analysis, while dismissing all other Plaintiffs' claims. On July 14, 2014, the *pro se* Plaintiffs filed a notice of petition with the New Jersey Supreme Court seeking a review of the Appellate Division's dismissal of all other Plaintiffs' claims. On July 16, 2014, the State filed a notice of cross-petition with the New Jersey Supreme Court on the State contracts clause claim. The State is vigorously defending this matter.

Pension Funding Litigation (Burgos et al. v. State et al.; CWA et al. v. Christie et al.; NJEA et al. v. State et al.; PANJ et al. v. State et al.) On May 20, 2014, the Governor issued Executive Order No. 156 that ordered the Budget Director to place into reserve $887 million that had been appropriated to pay down the UAAL of the Pension Funds. On June 4, 2014, a number of State Police-associated groups ("Burgos Plaintiffs") filed a verified complaint and order to show cause in the Law Division challenging the Governor's actions and naming both the Executive Branch and the Legislature as Defendants. On June 9, 2014, the Communications Workers of America ("CWA") and various other unions filed a separate verified complaint and order to show cause also challenging the Governor's actions in Fiscal Year 2014 and the Treasurer's recommendation that, due to an unprecedented revenue shortfall, the State not make the scheduled Chapter 1 ARC payment in Fiscal Year 2015. On June 9, 2014, the NJEA also filed a complaint challenging the Governor's actions in Fiscal Year 2014 and the State's proposed action in Fiscal Year 2015, but did not seek preliminary relief. On June 10, 2014, the Court signed CWA's order to show cause, again rejecting the application for preliminary restraints and scheduling a preliminary injunction hearing for June 25, 2014. On June 10, 2014, the trial court also *sua sponte* consolidated the three matters. Thereafter, the New Jersey Principals and Supervisors Association ("PSA") filed a motion to intervene in NJEA's action, which the court granted. On June 17, 2014, the Probation Association of New Jersey ("PANJ") filed a separate verified complaint, but not an order to show cause. On June 18, 2014, the Legislative Defendants filed a motion to dismiss the State Trooper's Complaint, the only complaint which named the Legislature as defendants. On June 25, 2014, the trial court heard oral argument and issued an opinion denying Plaintiffs' requests for preliminary injunctive relief and granting the Legislative Defendants' motion to dismiss.

On July 21, 2014, the trial court, at the State Executive Defendants' request, issued an order extending the time by which to file a responsive pleading from July 25, 2014 to August 25, 2014. On July 25, 2014, the Burgos Plaintiffs filed an amended complaint, challenging the State's decision not to appropriate monies in Fiscal Year 2015 to pay down the UAAL. On that same day, the CWA likewise filed an amended complaint, also challenging the State's decision not to appropriate monies in Fiscal Year 2015 to pay down the UAAL. CWA also moved to proceed summarily pursuant to R. 4:67-1(b). On September 2, 2014, the State Executive Defendants moved to dismiss all of the complaints filed in this matter. The State intends to vigorously defend this matter.

Oracle International Corporation v. Director, Division of Taxation On or about March 25, 2009, Oracle International Corporation ("Oracle") filed a complaint contesting the New Jersey Department of the Treasury, Division of Taxation's ("Division") December 17, 2008 Notice of Assessment Relating to Final Audit Determination, imposing Corporation Business Tax for the audit period June 1, 2001 through May 31, 2007. Oracle alleges it is not subject to tax in the State, and challenges the assessment on a number of grounds, including that Oracle does not have nexus to the State and that the State's "Throw Out Rule" under *N.J.S.A.* 54:10A-6(b) is facially invalid and unconstitutional as applied under the State and federal constitutions. Discovery is ongoing. The State intends to vigorously defend this matter.

Pfizer Inc. et al.v. Director, Division of Taxation. Two taxpayers, Pfizer Inc. ("Pfizer") and Whirlpool Properties, Inc. ("Whirlpool"), challenged the New Jersey Tax Court's affirmance of the facial constitutionality of the Corporation Business Tax ("CBT") "Throw-Out Rule," which affected the amount of taxable income taxpayers "allocate" to the State through 2010. In pursuit of their facial challenges, the taxpayers asserted that the

Throw-Out Rule (which requires the exclusion of certain receipts from the CBT "allocation formula") violates the Due Process and Commerce Clauses of the United States Constitution as well as various equitable principles. Two *amici curiae* further claimed that the Throw-Out Rule violates the Supremacy Clause of the United States Constitution. On May 29, 2008, the Tax Court granted the Division's cross-motion to sustain the facial constitutionality of the Throw-Out Rule. Taxpayers' "as-applied" challenges remain. In August 2008, Pfizer and Whirlpool sought leave for interlocutory review in the New Jersey Supreme Court. The New Jersey Supreme Court granted interlocutory review, but concurrently remanded to the Appellate Division for review on the merits. On July 12, 2010, the Appellate Division affirmed the Tax Court's decision on the facial constitutionality of the Throw-Out Rule. On October 21, 2010, the New Jersey Supreme Court granted the taxpayers' motion for leave to appeal. On May 3, 2011, Pfizer and the Division settled their dispute concerning the facial constitutionality of the Throw-Out Rule. By a unanimous opinion dated July 28, 2011, the New Jersey Supreme Court affirmed, with modification, the facial constitutionality of the Throw-Out Rule. Whirlpool's "as applied" constitutional challenge remains for adjudication by the Tax Court. Discovery is ongoing with respect to Whirlpool's "as applied" constitutional challenge. The State is vigorously defending this matter.

Banc of America Consumer Card Holdings Corporation v. Director, Division of Taxation. On or about August 5, 2011, Banc of America Consumer Card Holdings Corporation ("BOA") filed a complaint in the Tax Court of New Jersey, contesting the Division's May 9, 2011 denial of a CBT refund for tax periods January 1, 2006 through December 31, 2008. BOA does not challenge the State's jurisdiction to impose CBT. BOA alleges that its income from intangibles should be sourced to BOA's alleged commercial domicile outside of the State. The State filed an answer to the complaint on October 4, 2011, and an amended answer on March 6, 2012. Discovery is ongoing. The State is vigorously defending this matter.

New Cingular Wireless, PCS, LLC v. Director, Division of Taxation. On or about August 4, 2012, New Cingular Wireless, PCS, LLC ("New Cingular") filed a complaint in the Tax Court, contesting the Division's October 5, 2011 denial of a Sales and Use Tax refund claim on behalf of its customers for tax periods November 1, 2005 through September 30, 2010. The Division denied New Cingular's claim for refund on the grounds that a portion of its claim is barred by the statute of limitations and that New Cingular had not demonstrated that it refunded the applicable Sales and Use Tax to its customers before filing its claim with the Division, as required by statute. Furthermore, the State does not permit a refund claim on behalf of a class. In an opinion dated February 21, 2014, the Tax Court ruled that New Cingular could claim a refund. The court remanded the matter to the Division for review of New Cingular's substantive claim on or before February 1, 2015. The State is vigorously defending this matter.

DeVry Educational Development Corporation v. Director, Division of Taxation. On February 23, 2012, DeVry Educational Development Corporation ("DeVry") filed a complaint in the Tax Court of New Jersey, contesting the Division's November 22, 2011, Final Determination. The Division concluded that DeVry is subject to CBT commencing July 1, 2002 and is required to file returns. DeVry alleges that it is not subject to tax, and alternatively, if it is subject, that the repealed Throw Out Rule is unconstitutional, on its face and as applied. The Division filed an Answer to Complaint on June 6, 2012. Discovery is ongoing. The State intends to vigorously defend this matter.

Frank Greek and Son, Inc. v. Verizon New Jersey, Inc. et al. Plaintiff Frank Greek and Son, Inc. (the "Plaintiff"), filed a nominal class action lawsuit against Verizon, alleging that: (1) Verizon overcharged customers by charging "custopak" customers for the New Jersey enhanced 9-1-1 fee ("E911 Fee") on six telephone lines even if those customers actually contracted for less than six lines; and (2) Verizon overcharged customers generally for various other fees and services and therefore violated the New Jersey Consumer Fraud Act. Verizon denies that it improperly charged the E911 Fee and other charges, and it filed a third-party complaint against the Division. Verizon claims that all E911 Fees it collected were remitted to the Division and that Division should refund allegedly overpaid E911 Fees of approximately $30 million to a third-party class action trust fund administrator. The Division objects to this approach because the E911 Fee statute (*N.J.S.A.* 52:17C-18(c)), incorporates the State Uniform Tax Procedure Law (*N.J.S.A.* 54:48-1 *et seq.*) which expressly prohibits refund claims on behalf of a class. The State intends to vigorously defend this matter.

In re Failure of Council on Affordable Housing to Adopt Trust Fund Commitment Regulations. On July 2, 2012, Fair Share Housing Center ("FSHC") sought and received permission to file an emergent motion with the Superior Court, Appellate Division to obtain an immediate preliminary injunction, and subsequently upon briefing and argument, a permanent injunction against the Council on Affordable Housing ("COAH") from requiring municipalities to transfer balances in their municipal affordable housing trust funds uncommitted within four years from the date of collection to the "New Jersey Affordable Housing Trust Fund" (the "AH Trust Fund"), established pursuant to section 20 of L.1985, c.222 (C.52:27D-320), as amended by L.2008, c.46 (C.52:27D-329.1 et al.), until COAH adopts regulations that define what constitutes a "commitment" by the municipality to spend such monies. Pursuant to the Fiscal Year 2013 Appropriations Act, an amount not to exceed $200 million of monies received in the AH Trust Fund shall be deposited in the State General Fund as State revenue. Amounts appropriated in the Fiscal Year 2013 Appropriations Act for the provision of programs for affordable housing for households and individuals with low and moderate incomes shall be credited against such funds deposited into the State General Fund from the AH Trust Fund. The Appellate Division denied the request for restraint. While denying injunctive relief, the Appellate Division noted that it expected the State to provide affected municipalities with adequate notice and an opportunity to contest a transfer of municipal affordable housing trust funds. On August 10, 2012, in a separate, distinct matter, in response to FSHC's motion to enforce litigant's rights, the Appellate Division issued an order enjoining the transfer or request for transfer of uncommitted municipal affordable housing trust funds until COAH meets and authorizes the transfer or request for transfer of such funds. Subsequently, the Appellate Division granted motions by the League of Municipalities and several towns to intervene. On May 1, 2013, COAH adopted a resolution authorizing COAH staff to send out updated letters requiring municipalities to submit by May 22, 2013 their reasons as to why they disagreed with COAH staff's determination of how much of the municipalities affordable housing trust fund is uncommitted. COAH also approved the Appellate Division's definition of "uncommitted". The total amount of "uncommitted" in the updated letters sent out by COAH is approximately $165 million. On May 10, 2013, FHSC filed an emergent application for a stay of the implementation of COAH's May 1, 2013 resolution. On May 13, 2013, the Appellate Division issued an order granting FSHC's emergent application for a stay and set forth a briefing schedule. On May 20, 2013, the State sought interlocutory relief from the Supreme Court from the Appellate Division's May 13, 2013 order. On May 28, 2013, the New Jersey Supreme Court partially vacated the stay, permitting COAH to gather and evaluate municipalities' submissions. On June 7, 2013, the Appellate Division vacated the remainder of the stay entered on May 13, 2013, subject to the following conditions: (1) the letters sent by COAH dated May 1, 2013 to the municipalities are vacated: (2) municipalities affected by COAH's letter have 30 days to respond to COAH; (3) COAH shall provide 15 days notice of its board meeting to the municipalities prior to allowing the seizure of any funds; (4) any affected municipality may then appeal COAH's action to seize any funds, to the Appellate Division. On June 28, 2013 COAH sent out updated letters consistent with the Appellate Division's order. COAH is analyzing responses received from the affected municipalities. The State is vigorously defending this matter.

Hammerman & Gainer, Inc. v. State of New Jersey. Hammerman & Gainer, Inc. ("HGI") was engaged to assist DCA with the administration of the Superstorm Sandy Housing Incentive Program ("SSHIP"), which was designed to serve as the intake and administration function for the State's other recovery programs available to homeowners affected by Superstorm Sandy. This involved the development and operation of an information technology system, application intake process and eligibility determinations for various Superstorm Sandy programs. On May 8, 2013, HGI was awarded a three-year contract by the Division of Purchase and Property on behalf of the Department of Community Affairs. The contract was terminated by mutual agreement effective January 20, 2014. During the term of the contract, the State made payments to HGI subject to the State's right to reconcile HGI's invoices and make appropriate adjustments. After its review, the State determined that HGI overbilled the State and that the State was entitled to various set-offs as a result of HGI's failure to perform certain obligations expressly provided for in the contract and inadequate performance of others. On February 7, 2014, HGI submitted a demand for arbitration to the American Arbitration Association. On April 15, 2014, HGI submitted an amended demand. The State submitted an answer on May 9, 2014. The State reserved the right to assert a counterclaim but has not yet done so. The State is vigorously defending this matter.

In Re Challenge of Contract Award Solicitation #13-X-22694. On April 12, 2013, the Division of Purchase and Property in the Department of the Treasury ("DPP") issued a Notice of Intent to Award the Lottery Growth Management Services Contract to Northstar NJ, a joint venture between GTech Corporation, Scientific Games International, Inc. and OMERS Administration Corporation. On April 17, 2013, Communication Workers of America ("CWA") filed a protest of the notice of intent to award the contract. The Director of DPP denied the protest and proceeded to award the contract. CWA filed an appeal on June 4, 2013 and sought an emergent stay of the contract closing alleging that the State did not have the authority to contract with a vendor for the Lottery Growth Management Services. After being fully briefed by the parties, on June 11, 2013, the Appellate Division denied CWA's application for stay, accelerated the appeal, and allowed the State to proceed with the award of the contract. At contract close on June 20, 2013, Northstar NJ paid the State of New Jersey, Division of Lottery $120,000,000 as an accelerated guarantee payment ("AGP") and began a formal transition period prior to beginning to provide the contracted services. On October 1, 2013, Northstar NJ began providing the contracted services for the 15 year and 9 month contract term. On July 3, 2014, the Appellate Division rejected CWA's appeal and affirmed the Director of DPP's decision. CWA did not file a petition for certification with the New Jersey Supreme Court.

Escobar v. DYFS et al. On July 17, 2009, Plaintiff's child was allegedly shaken by his biological father. As a result, the child is severely disabled and requires life care by professionals. The biological father is currently incarcerated for aggravated assault. The Division of Youth and Family Services ("DYFS") (now known as the Division of Child Protection and Permanency in the Department of Children and Families) allegedly had knowledge that the biological father had a history of drug use, domestic violence, mental health disorders and other issues. DYFS also was allegedly aware that the child showed prior evidence of abuse. Plaintiff alleges that DYFS failed to adequately investigate the reports of alleged abuse. After the completion of the Trial, the jury awarded the Plaintiff $166 million, of which approximately $57 million was for pain and suffering, approximately $4 million was for the child's past medical needs and $105 million is to cover the child's future medical needs. The State filed a motion for a new trial and, in the alternative, for remitter on the awards for pain and suffering and the child's future medical needs. On March 19, 2014, the court ruled on the motion for remitter, reducing the award against the State to $102,630,618 by reducing the amount allocated for future medical needs from $105,000,000 to $75,868,321 based on the assumption of the child's life expectancy of 79 years and by allocating 25% liability to the biological father. On April 1, 2014, the court entered a final order judgment in the case. On April 22, 2014, the State filed a notice of appeal. The matter is currently scheduled to be mediated during the fall of 2014. The State is vigorously defending this matter.

Medicaid, Tort, Contract, Workers' Compensation and Other Claims. The Office of the Inspector General of the U.S. Department of Health & Human Services ("OIG") has conducted and continues to conduct various audits of Medicaid claims for different programs administered by the State's Department of Human Services ("DHS"). The OIG audits, which have primarily focused on claim documentation and cost allocation methodologies, recommend that certain claims submitted by DHS be disallowed. OIG submits its recommendations on disallowances to the Centers for Medicare and Medicaid Services ("CMS") which may, in whole or in part, accept or disagree with the OIG's recommendations. If the OIG's recommendations are not challenged by the State or are upheld by CMS, DHS will be required to refund the amount of any disallowances. However, DHS is disputing OIG's audit findings. In addition, the State has currently reserved certain revenues that would mitigate, but not completely offset, the State's exposure assuming CMS upholds the OIG's recommended claim disallowances. Given that the State is currently disputing and appealing the OIG audit findings, it cannot estimate any final refund amounts or the timing of any refund payments that may be due to CMS. These current audits and any future audits of Medicaid claims submitted by DHS may result in claim disallowances which may be significant. The State is unable to estimate its exposure for these claim disallowances. See "FINANCIAL RESULTS AND ESTIMATES—Appropriations—*Appropriations of Federal Aid*" for additional discussion of currently pending audits.

At any given time, there are various numbers of claims and cases pending against the State, State agencies and employees, seeking recovery of monetary damages that are primarily paid out of the fund created pursuant to the New Jersey Tort Claims Act (*N.J.S.A.* 59:1-1 *et seq.*). The State does not formally estimate its reserve representing potential exposure for these claims and cases. The State is unable to estimate its exposure for these claims and cases.

The State routinely receives notices of claim seeking substantial sums of money. The majority of those claims have historically proven to be of substantially less value than the amount originally claimed. Under the New Jersey Tort Claims Act, any tort litigation against the State must be preceded by a notice of claim, which affords the State the opportunity for a six-month investigation prior to the filing of any suit against it.

In addition, at any given time, there are various numbers of contract and other claims against the State and State agencies, including environmental claims asserted against the State, among other parties, arising from the alleged disposal of hazardous waste. Claimants in such matters are seeking recovery of monetary damages or other relief which, if granted, would require the expenditure of funds. The State is unable to estimate its exposure for these claims.

At any given time, there are various numbers of claims by employees against the State and State agencies seeking recovery for workers' compensation claims that are primarily paid out of the fund created pursuant to the New Jersey Workers' Compensation Law (*N.J.S.A.* 35:15-1 *et seq.*). Claimants in such matters are seeking recovery for personal injuries suffered by a claimant by accident arising out of and in the course of the claimant's employment due to the employer's negligence. The State is unable to estimate its exposure for these claims.

Prior to July 1, 2013, there were various numbers of claims and cases pending against the University of Medicine and Dentistry of New Jersey ("UMDNJ") and its employees, seeking recovery of monetary damages that were primarily paid out of the UMDNJ Self Insurance Reserve Fund created pursuant to the New Jersey Tort Claims Act (*N.J.S.A.* 59:1-1 *et seq.*). An independent study estimated an aggregate potential exposure of $148,897,000 for tort and medical malpractice claims for UMDNJ pending as of December 31, 2012. As a result of the enactment of the New Jersey Medical and Health Sciences Education Restructuring Act, *L.* 2012, *c.* 45 (the "Restructuring Act"), all of UMDNJ has been transferred to Rutgers, The State University ("Rutgers"), with the exception of the School of Osteopathic Medicine which has been transferred to Rowan University ("Rowan"), and University Hospital in Newark, New Jersey now exists as a separate instrumentality of the State. All claims and liabilities of UMDNJ associated with the transferred facilities have been transferred to Rutgers, Rowan and University Hospital, as applicable. Pursuant to the Restructuring Act, Rutgers and Rowan each entered into a memorandum of understanding with the State Treasurer pursuant to which the State shall pay from a self-insurance reserve fund established for each entity medical malpractice claims occurring prior to and post the effective date of the transfers, which was July 1, 2013. The Restructuring Act also provides for University Hospital's medical malpractice claims to be covered by a self-insurance reserve fund established by the State Treasurer and University Hospital entered into a memorandum of understanding with the State Treasurer for such claims. All claims, other than medical malpractice claims, incurred by UMDNJ with respect to the UMDNJ facilities transferred to Rutgers will be paid for by Rutgers out of its own funds. All claims, other than medical malpractice claims, incurred by Rowan will be paid from the Tort Claims Fund. The State is unable to estimate its exposure for these claims.

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APPENDIX-I-A

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2013

The State of New Jersey issues annually a Comprehensive Annual Financial Report ("CAFR") which includes the general purpose financial statements, the combining financial statements and supplemental schedules reported upon by the State Auditor, as well as, introductory and statistical sections.

The CAFR for the Fiscal Year ended June 30, 2013 has been separately filed with the MSRB and is incorporated by specific reference in this Appendix I and is considered to be a part hereof.

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APPENDIX-I-B
DEMOGRAPHIC AND ECONOMIC INFORMATION

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APPENDIX-I-B
DEMOGRAPHIC AND ECONOMIC INFORMATION

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TABLE I

STATE OF NEW JERSEY
THIRTY LARGEST
NON-GOVERNMENTAL EMPLOYERS
2014

Company	New Jersey Employees
Wakefern Food Corp.	40,000
Wal-Mart Stores, Inc.	18,593
Verizon Communications	15,100
UPS	15,000
Johnson & Johnson	14,500
United Continental Holdings	13,600
The Great Atlantic & Pacific Tea Co. (A&P)	12,373
The Home Depot	12,100
Caesar's Entertainment	11,804
Bank of America	11,000
AT&T, Inc.	9,169
PSEG	8,944
Wawa, Inc.	8,609
The Stop & Shop Supermarket Co.	8,567
Target Corporation	8,467
CVS Caremark	8,400
Prudential Financial, Inc.	8,293
TD Bank	8,120
FedEx	8,076
Merck & Company, Inc.	8,000
Macy's	7,400
Lowe's Companies Inc.	6,528
Bristol-Myers Squibb Company	6,100
Bed Bath & Beyond	6,000
Wells Fargo	6,000
Borgata Hotel Casino & Spa	5,824
JP Morgan Chase & Company	5,800
Aramark	5,677
Novartis Pharmaceuticals Corporation	5,529
Bayada Home Health Care	5,236

Source: New Jersey Business Magazine, August 2014

TABLE II

POPULATION CHANGES

	Population (Thousands)			Population Per Square Mile	Annual Rate of Growth (Percent)		
	Census 1990	Census 2000	Census 2010	2010	1980 to 1990	1990 to 2000	2000 to 2010
United States	248,710	281,422	308,746	87	0.94	1.24	0.93
Northeast	50,809	53,595	55,290	342	0.34	0.54	0.31
New England	13,207	13,923	14,445	230	0.67	0.53	0.37
Middle Atlantic	37,602	39,672	40,872	412	0.22	0.54	0.30
New York	17,990	18,977	19,378	411	0.24	0.54	0.21
New Jersey	7,730	8,414	8,792	1,196	0.49	0.85	0.44
Pennsylvania	11,882	12,281	12,702	284	0.01	0.33	0.34

Source: U.S. Census Bureau, 2010 Census Release, February 2011.

TABLE III

TOTAL PERSONAL INCOME
NEW JERSEY, SELECTED NEIGHBORING STATES AND THE UNITED STATES
2003 - 2013
(Dollars in Millions)

	Total Personal Income			
Calendar Years	New Jersey	New York	Pennsylvania	United States
2003	354,631	709,209	409,423	9,479,611
2004	372,296	752,725	430,409	10,043,284
2005	387,477	794,061	447,274	10,605,645
2006	416,610	856,087	476,824	11,376,460
2007	439,410	923,968	501,591	11,990,244
2008	451,504	945,342	519,542	12,429,284
2009	440,429	924,453	514,678	12,073,738
2010	449,059	960,826	529,807	12,423,332
2011	471,187	1,012,405	558,345	13,179,561
2012	487,437	1,041,930	575,424	13,729,063
2013	498,298	1,062,390	586,654	14,081,242

	Total Personal Income As A Percent of 2000 Base			
Calendar Years	New Jersey	New York	Pennsylvania	United States
2000	100.0	100.0	100.0	100.0
2001	105.0	105.2	104.7	105.0
2002	106.4	105.0	107.2	106.9
2003	108.8	107.8	110.7	110.8
2004	114.2	114.4	116.4	117.4
2005	118.9	120.7	120.9	124.0
2006	127.8	130.1	128.9	133.0
2007	134.8	140.4	135.6	140.2
2008	138.5	143.7	140.4	145.3
2009	135.1	140.5	139.1	141.1
2010	137.8	146.0	143.2	145.2
2011	144.5	153.9	150.9	154.1
2012	149.5	158.4	155.6	160.5
2013	152.9	161.5	158.6	164.6

Source: U.S. Department of Commerce, Bureau of Economic Analysis as of March, 2014.
Note: Historical numbers may differ from prior reports because of the July 2013 Comprehensive Revision of National Income and Product Amounts.

TABLE IV

2013 PER CAPITA PERSONAL INCOME FOR NEW JERSEY, SELECTED NEIGHBORING STATES AND THE UNITED STATES

	2012 Amount	2013 Amount	2012 Percent of National Average	Rank United States	Percent Change 2012 - 2013
United States	43,735	44,543	100.0%	—	1.8%
New Jersey	54,987	55,993	125.7	5	1.8
New York	53,241	54,063	121.4	7	1.5
Pennsylvania	45,083	45,926	103.1	19	1.9

Source: U.S. Department of Commerce, Bureau of Economic Analysis as of March, 2014
Definition: Per capita personal income is total personal income divided by total midyear population.
Note: Historical numbers may differ from prior reports because of the July 2013 Comprehensive Revision of National Income and Product Amounts.

TABLE V

PER CAPITA PERSONAL INCOME NEW JERSEY, SELECTED NEIGHBORING STATES AND THE UNITED STATES 2003 - 2013

	Per Capita Personal Income			
Calendar Years	New Jersey	New York	Pennsylvania	United States
2003	41,229	36,984	33,086	32,676
2004	43,117	39,263	34,680	34,300
2005	44,785	41,503	35,926	35,888
2006	48,098	44,810	38,113	38,127
2007	50,636	48,294	39,923	39,804
2008	51,831	49,205	41,193	40,873
2009	50,303	47,882	40,632	39,357
2010	51,010	49,529	41,680	40,163
2011	53,333	51,914	43,813	42,298
2012	54,987	53,241	45,083	43,735
2013	55,993	54,063	45,926	44,543

	Per Capita Personal Income As A Percent of United States			
Calendar Years	New Jersey	New York	Pennsylvania	United States
2003	126.2	113.2	101.3	100.0
2004	125.7	114.5	101.1	100.0
2005	124.8	115.6	100.1	100.0
2006	126.2	117.5	100.0	100.0
2007	127.2	121.3	100.3	100.0
2008	126.8	120.4	100.8	100.0
2009	127.8	121.7	103.2	100.0
2010	127.0	123.3	103.8	100.0
2011	126.1	122.7	103.6	100.0
2012	125.7	121.7	103.1	100.0
2013	125.7	121.4	103.1	100.0

Source: U.S. Department of Commerce, Bureau of Economic Analysis as of March, 2014 .
Note: Historical numbers may differ from prior reports because of the July 2013 Comprehensive Revision of the National Income and Product Amounts.

TABLE VI

WAGE AND SALARY WORKERS IN NONAGRICULTURAL ESTABLISHMENTS ANNUAL AVERAGES BY NAICS INDUSTRY DIVISIONS, NEW JERSEY, 2003-2013 (In thousands)

Year	Total Non-farm Employment	Manufacturing	Natural Resources & Mining	Construction	Trade, Transportation & Utilities	Information	Financial Activities	Services and Miscellaneous*	Government
2003	3,976.9	350.5	1.6	160.5	874.7	102.0	276.2	1,589.6	622.0
2004	3,998.0	338.3	1.6	165.8	873.9	98.0	276.9	1,610.0	633.5
2005	4,038.1	330.5	1.7	169.1	877.0	97.1	279.6	1,641.5	641.6
2006	4,069.4	323.7	1.7	174.9	874.1	97.5	279.3	1,671.2	647.2
2007	4,076.6	311.3	1.7	172.4	872.7	96.0	275.7	1,698.8	647.9
2008	4,048.9	298.9	1.6	164.4	860.2	91.2	270.4	1,712.8	649.3
2009	3,893.6	266.3	1.5	138.6	817.3	84.3	255.6	1,677.8	652.2
2010	3,848.2	257.1	1.4	129.5	808.4	79.3	251.5	1,681.5	639.6
2011	3,846.7	251.5	1.3	129.9	814.6	76.6	249.5	1,704.6	618.7
2012	3,895.8	245.4	1.3	130.4	822.7	77.5	249.0	1,749.4	620.2
2013	3,957.4	248.2	1.2	134.0	835.1	75.1	250.7	1785.5	627.7

* Includes Professional and Business Services, Educational and Health Services, Leisure and Hospitality and Other Services

Source: U.S. Department of Labor, Bureau of Labor Statistics
2013 seasonally adjusted data as of December 2013 issued March 2014.

TABLE VII

AVERAGE ANNUAL UNEMPLOYMENT RATES NEW JERSEY AND UNITED STATES 2003-2013

Calendar Years	New Jersey	United States
2003	5.9%	6.0%
2004	4.9%	5.5%
2005	4.5%	5.1%
2006	4.7%	4.6%
2007	4.3%	4.6%
2008	5.5%	5.8%
2009	9.0%	9.3%
2010	9.6%	9.6%
2011	9.3%	8.9%
2012	9.3%	8.1%
2013	7.2%	7.4%

Source: U.S. Department of Labor, Bureau of Labor Statistics, Data Base & Tables, Unemployment.
2013 seasonally adjusted data as of December 2013 issued March 2014.

TABLE VIII

AVERAGE HOURLY WAGES (NAICS)
PRODUCTION WORKERS ON MANUFACTURING PAYROLLS
NEW JERSEY AND SELECTED NEIGHBORING STATES
2003-2013

Calendar Years	New Jersey	New York	Pennsylvania
2003	15.45	16.78	14.99
2004	15.89	17.29	15.16
2005	16.33	17.77	15.26
2006	16.56	18.29	15.38
2007	17.22	18.49	15.48
2008	17.89	18.58	15.61
2009	18.31	18.54	16.28
2010	18.80	18.39	16.88
2011	19.03	18.46	17.49
2012	19.50	18.61	18.26
2013	19.19	19.45	19.31

Source: U.S. Department of Labor, Bureau of Labor Statistics, Occupational and Employment Statistics
2013 data are preliminary from Table D-4, not seasonally adjusted.

TABLE IX

NEW VEHICLE SALES
NEW JERSEY
2003-2013

	Total Vehicles		
Calendar Years	Annual	Monthly Average	% change
2003	627,499	52,292	
2004	640,787	53,399	2.1%
2005	624,000	52,000	-2.6%
2006	621,298	51,775	-0.4%
2007*	591,694	49,308	-4.8%
2008	499,554	41,630	-15.6%
2009	399,852	33,321	-20.0%
2010	420,014	35,001	5.0%
2011	458,042	38,170	9.1%
2012	498,054	41,505	8.7%
2013	544,965	45,414	9.4%

* Data for September and October 2007 are derived from R.L. Polk's New Vehicle Registrations

Source: N.J. Department of Transportation, Motor Vehicle Commission

TABLE X

NAICS COMPOSITION OF NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT NEW JERSEY AND THE UNITED STATES: 2013

	New Jersey		United States	
	No. of Jobs(000)	% of Total	US Jobs(mil.)	% of Total
Total Nonfarm	3,957.4	100.0%	136.4	100.0%
Manufacturing	248.2	6.3	12.0	8.8
Natural Resources & Mining	1.2	0.0	0.9	0.6
Construction	134.0	3.4	5.8	4.3
Trade, Transportation and Utilities	835.1	21.1	25.9	19.0
Information	75.1	1.9	2.7	2.0
Financial Activities	250.7	6.3	7.9	5.8
Services	1785.5	45.1	59.3	43.5
Government	627.7	15.9	21.9	16.0

Note: Percent of Total Column may not add to 100% due to rounding. Services include Professional and Business, Educational and Health, Leisure and Hospitality.

Source: U.S. Department of Labor, Bureau of Labor Statistics
Seasonally adjusted 2013 data based on 2013 revised benchmark.

TABLE XI

DOLLAR AMOUNT OF ANNUAL NONRESIDENTIAL CONSTRUCTION AUTHORIZED BY BUILDING PERMITS, 2005 TO 2013

Calendar Year	Estimated Nonresidential Costs ($M)	% Change
2005	6,270.3	
2006	7,354.2	17.3%
2007	7,308.8	-0.6%
2008	8,029.2	9.9%
2009	5,010.9	-37.6%
2010	4,889.4	-2.4%
2011	6,107.5	24.9%
2012	5,592.0	-8.4%
2013	6,130.9	9.6%

Source: New Jersey Department of Community Affairs Construction Reporter
http://www.state.nj.us/dca/divisions/codes/reporter/building_permits.html#7
2013 data is preliminary.

APPENDIX-I-C
SUMMARY OF PRINCIPAL
STATE TAXES

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APPENDIX-I-C
SUMMARY OF PRINCIPAL STATE TAXES

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Summary of Principal State Taxes

The following is a summary of state taxes in New Jersey:

Alcoholic Beverage Tax

The Alcoholic Beverage Tax applies to the first sale or delivery of beer, liquor and wine to retailers in New Jersey. This tax is collected from licensed manufacturers, wholesalers and State beverage distributors, based on the number of gallons, or fractions thereof, sold. License fees for manufacturing, distributing, transporting and warehousing alcoholic beverages are also imposed pursuant to this law.

Current Rates: Beer — $0.12 per gallon; Beginning August 1, 2009: Liquor — $5.50 per gallon; Wines — $0.875 per gallon; certain apple ciders — $0.15 per gallon. *L.* 2009, c.71.

Beginning Fiscal Year 2010, $22 million collected from the Alcohol Beverage Tax will be annually deposited in the Health Care Subsidy Fund. *L.* 2009, *c.* 71.

Casino Control Tax

The Casino Control Act imposes an 8% tax on the "gross revenues" of gambling casinos, as defined by the Act.

On July 1, 2003, the law was amended to impose a 7.5% fee on the annual adjusted net income of licensed casinos in calendar years 2003-2006. The law was also amended to impose a 4.25% fee on certain complimentary amenities, specifically entertainment, rooms, food and beverages provided at no cost or reduced prices to casino hotel patrons. The amendments also impose a $3 per day occupancy fee on hotel rooms in a casino hotel facility, leaving to the casinos' discretion whether to pay the charge on behalf of the patrons or charge the patrons for the fee. The measure imposes an 8% gross revenue tax on companies that administer and service multi-progressive casino slot machine systems and increases parking fees by $1 for casino hotel parking in Atlantic City as defined by the Act. *L.* 2003, *c.* 116.

As of August 25, 2004, the 4.25% tax imposed on complimentary amenities was phased for elimination as of June 30, 2009. In this regard, the rate shall be as follows: in State fiscal years 2004 through 2006, 4.25%; in State fiscal year 2007, 3.1875%; in State fiscal year 2008, 2.125%; and in State fiscal year 2009, 1.0625%. Furthermore, with respect to each year the tax is to be collected, the State will issue a rebate or assessment, as appropriate, to the casinos if the amount of tax collected is more or less than the following: in State fiscal years 2004 through 2006, $26 million; in State fiscal year 2007, $19.5 million; in State fiscal year 2008, $13 million; and in State fiscal year 2009, $6.5 million. *L.* 2004, *c.* 128.

L. 2013, *c.* 27 amends and supplements the "Casino Control Act" and authorizes Internet gaming at Atlantic City casinos under certain circumstances. The law imposes an annual 15% tax on Internet gaming gross revenues, which shall be paid into the Casino Revenue Fund. The 8% tax on casino gross revenues excludes Internet gaming but, the investment alternative tax does apply to those gross revenues at a rate of 5% with the State requiring a partial payment of 2.5% of the estimated taxes (C. 5:12-144.1).

Cigarette Tax and Tobacco Products Wholesale Tax

The Cigarette Tax is imposed on the sale, use or possession of all cigarettes within New Jersey. This tax is collected from licensed distributors who receive cigarettes directly from out-of-state manufacturers. Receipts from the sale or use of tobacco products, other than cigarettes, by a distributor or wholesaler to a retail dealer or consumer are subject to the Tobacco Products Wholesale Tax. *L.* 1990, *c.* 39. As of March 1, 2002, the Tobacco Products Wholesale Tax is imposed on the price that a distributor pays to buy products from the manufacturer. *L.* 2001, *c.* 448. As of July 15, 2006, moist snuff is no longer taxed based on its wholesale price but is taxed based on its weight. *L.* 2006, *c.* 37. The weight-based tax will raise the price of moist snuff and reduce youth access.

Current Rates: Cigarette Tax — $0.135 per cigarette and $2.70 per pack; Moist snuff — $0.75 per ounce with a proportionate tax rate for fractional amounts; Tobacco Products Wholesale Tax — 30%. As of March 1, 2002, the tobacco products tax rate was decreased from 48% to 30%. *P.L.* 2001, *c.* 448. As of July 15, 2006, the cigarette tax increased from $2.40 per pack of cigarettes to $2.575 per pack. *L.* 2006, *c.*37. As of July 1, 2009, the cigarette tax increased from $2.575 per pack of cigarettes to $2.70 per pack. *L.* 2009, *c*. 70.

Annually, the sum of $1,000,000.00 from Cigarette Tax revenues is deposited into the Cancer Research Fund. *L.* 1982, *c.* 40. After this deposit, the first $150 million collected annually from the Cigarette Tax and the first $5 million collected annually from the Tobacco Products Wholesale Sales and Use Tax is deposited into the Health Care Subsidy Fund. For fiscal years beginning on or after July 1, 2006, but before July 1, 2009, $215 million collected annually from Cigarette Tax is deposited into the Dedicated Cigarette Tax Revenue Fund. For fiscal years beginning on or after July 1, 2009, $241,500,000.00 of revenue collected from the Cigarette Tax shall be deposited annually into the Dedicated Cigarette Tax Revenue Fund. *L.* 2009, *c.* 70.

Clean Communities and Recycling Grant User Fee (User Fee)

The user fee imposed by the Clean Communities and Recycling Grant Act (*L.* 2002, *c.* 128) is imposed on receipts from non-exempt New Jersey sales of litter-generating products made by manufacturers, wholesalers and distributors at the rate of 3/100 of 1% (.0003), and upon receipts of certain non-exempt sales by retailers at the rate of 2.25/100 of 1% (.000225), effective January 1, 2002. (*L.* 2002, *c.* 128, §§ 4, 14). Retailers subject to the user fee as defined by the Act having less than $500,000 of annual retail sales are exempt from the fee. The user fees, as well as penalties also imposed by the Act and any applicable appropriations, are to be credited to the nonlapsing, revolving Clean Communities Program Fund in the Department of the Treasury. The fund is to be administered by the Department of Environmental Protection. The funds are allocated and to be distributed as provided by the Act in the form of State Aid to qualifying municipalities for specified litter remediation activities, projects and antilittering educational campaigns.

Corporation Business Tax (CBT) (As amended by the Business Tax Reform Act, *L.* 2002, *c*. 40).

The CBT is imposed on every corporation, including S corporations (*L.* 1993, *c.* 173) not expressly exempted by statute, real estate investment trusts (*L.* 1989, *c.* 59), savings institutions, and certain other business entities such as limited liability companies and limited liability partnerships that elect to be treated as corporations for federal income tax purposes. The CBT is imposed on corporations for the privilege of having or exercising their corporate franchises in New Jersey, of deriving receipts from sources or of engaging in contacts within New Jersey, or of doing business, employing or owning capital or property, or maintaining an office, in New Jersey.

Corporations are required to pay a tax that is the greater of the amount resulting from rates applied to corporate net income allocated to New Jersey, or the alternative minimum assessment (AMA). Corporate net income is based on federal taxable income with certain additions, exclusions and modifications. S corporations, professional corporations, investment companies, pass-through entities, and federally qualified cooperatives are exempted from the AMA. The AMA is computed using a formula that uses either allocated gross receipts or allocated gross profits. If a corporation's AMA exceeds its tax computed on entire net income in any one year, the difference is allowed as a credit to reduce the CBT in a future year, but to not less than 50% of the liability otherwise due. The AMA for privilege periods commencing after June 30, 2006 shall be $0.00, except for taxpayers exempt from corporation net income taxation pursuant to 15 *U.S.C.* s.381 *et seq.* (Pub.L.86-272). Many corporations not otherwise subject to the tax based on corporate net income or to the alternative minimum assessment are subject to a minimum tax. A number of tax credits against the CBT are provided, such as for investment in certain new or expanded business facilities which create new jobs in New Jersey. *L.* 1993, *c.* 70.

To determine the tax liability of a corporation's business activity in the State of New Jersey, a three-fraction apportionment formula is used. The three-fraction formula determines the proportion of income subject to tax by measuring the activities of the corporation in the State to the total activity of the corporation. The apportionment formula consists of a double-weighted sales fraction, a property fraction, and a payroll fraction. Some of a corporation's income derived from other states is not taxed by those states. As a result, the apportionment formula omits these sales from the denominator of the sales fraction, which increases the sales fraction. The "throw out" of these sales increases the portion of entire net income of a corporation apportioned to New Jersey. For privilege periods beginning on or after July 1, 2010, *L.* 2008, *c.* 120 eliminates the throw-out provision in the apportionment formula. *L.* 2011, *c*. 59 changes the three-fraction apportionment formula to a single sales fraction. The change in the apportionment method will be phased in over three years as follows: the sales fraction will account for 70% of the three-fraction formula for the 2012 privilege period, 90% for the 2013 privilege period, and 100% for the 2014 privilege period. For the 2012 and 2013 privilege periods, the property and payroll fractions evenly account for the remainder of the formula. The law also provides for a specialized sales fraction formula for airlines calculated as a ratio of airline revenue miles in this State divided by the airline's total revenue miles. *L.* 2011, *c*. 59. Taxpayers who allocate less than 100% of income to New Jersey are no longer required to show that a regular place of business exists outside of this State. *L.* 2008, *c*. 120. For privilege periods ending on or after July 1, 2014, a taxpayer's operational income is allocable income derived from tangible or intangible property if the acquisition, management, or disposition of the property, are integral parts of the taxpayer's regular trade or business operations. *L.* 2014, *c.* 13.

For privilege periods beginning on or after January 1, 2001 and ending before January 1, 2002, a domestic or foreign limited liability company or a domestic or foreign limited partnership classified as a partnership for federal purposes, may obtain the consent of each of its corporate owners allowing New Jersey to tax the corporate owners' income derived from the activities of the limited liability company or limited partnership in New Jersey. For each non-consenting owner, the limited liability company or limited partnership must pay a corporation business tax on each of the non-consenting owner's share of the business' New Jersey income. Certain limited liability companies and limited partnerships are exempt, as are corporate owners already exempt under the CBT itself and non-corporate owners subject to the New Jersey Gross Income Tax. *L.* 2001, *c.* 136.

Current Rates: Prior to July 1, 1996, 9% of entire net income allocable to New Jersey; and beginning July 1, 1996, the rate is 7.5% for taxpayers with entire net income of $100,000 or less (*L.* 1995, *c.* 246). For corporations with entire net income less than $50,000, the rate is 6.5%.

For periods beginning on January 1, 2002, the AMA is computed on corporations with gross profits of more than $1 million, and on corporations with gross receipts of more than $2 million, at differing graduated rates. Corporations may elect which rate to use. The AMA for each period may not exceed $5 million, except for affiliated groups of five or more taxpayers, in which case the AMA is capped at $20 million. The AMA expires for periods beginning after June 30, 2006, except for corporations not subject to the CBT under federal P.L. 86-272.

Beginning January 1, 2002, entities classified as partnerships for federal income tax purposes, including limited liability partnerships and companies (pass-through entities), that have income from New Jersey sources and more than two members, pay an annual $150 per owner filing fee, capped at $250,000 per entity. A filing fee of $150 per licensed professional for professional corporations with more than two licensed professionals, also capped at $250,000 per entity, is also paid. Partnerships make payments on the share of the income of each nonresident partner at a 9% rate for corporate owners and a 6.37% rate for individual owners. *L.* 2002, *c*. 40.

For S corporations, 2% of entire net income allocable to New Jersey if greater than $100,000 for periods ending on or after July 1, 1998 but before July 1, 2001, 1.33% for periods ending on or after July 1, 2001 but before July 1, 2006, and 0.67% for periods ending on or after July 1, 2006 but before July 1, 2007; and 0.5% of entire net income of $100,000 or less for periods ending on or after July 1, 1998 and before July 1, 2001, expiring July 1, 2001. *L.* 1997, *c*. 40. The rates for S corporation income of $100,000 or more expire July 1, 2007. *L.* 2002, *c*. 40.

For investment companies, the rate is 25% of entire net income prior to June 30, 2002, and 40% as of July 1, 2002; and for real estate investment trusts, the rate is 4% of entire net income, but in no case less than $250.

As of July 7, 2006, the minimum tax imposed on corporations for the calendar year 2006 and thereafter, will be based on a corporation's New Jersey gross receipts as follows:

New Jersey Gross Receipts	Minimum Tax
Less than $100,000	$ 500
$100,000 or more but less than $250,000	$ 750
$250,000 or more but less than $500,000	$1,000
$500,000 or more but less than $1,000,000	$1,500
$1,000,000 or more	$2,000

However, for privilege periods 2012 and forward, the minimum tax amounts set forth above are reduced by 25% for S corporations. *L.* 2011, *c.* 84. The minimum tax for members of an affiliated group or a controlled group, as defined by federal tax law with a total payroll of $5 million or more, remains at $2,000 annually. *L.* 2006 *c.* 38.

Effective July 7, 2006, corporations are required to pay a 4% surcharge on Corporate Business tax liability for corporate business tax years ending in State fiscal years 2007, 2008, and 2009. The surcharge is applied after the allowance of any business incentive credits. Such credits are not permitted to be applied against the 4% surcharge but are permitted as a credit toward the prepayment of the tax liability. *L.* 2006 *c.* 38. The 4% surcharge on corporation business tax liability that was originally imposed for corporation tax years ending in State fiscal years 2007, 2008 and 2009 extends through corporation business tax years ending before July 1, 2010. *L.* 2009 *c.* 72

On November 5, 1996, Article VIII, Section II of the New Jersey Constitution was amended to provide that an amount equivalent to 4% of the revenue annually derived from the CBT (or any other law of similar effect) be deposited in a special account for appropriation only for the following purposes and in the following manner: 1) a minimum of 1/2 for funding State costs relating to hazardous discharge remediations; 2) a minimum of 1/3, dedicated until December 31, 2008, for funding loans and grants for underground storage tank upgrades and replacements; and 3) a minimum of 1/6 or $5 million, whichever is less, for funding costs related to water quality monitoring, watershed planning, and nonpoint source water pollution prevention.

Effective June 29, 2004, for privilege periods beginning during the 2004 and 2005 calendar years, "Net Operating Loss" deductions will be allowed to reduce the entire net income subject to corporate business tax to 50% of what it would otherwise be. *L.* 2004, *c.* 47. With respect to privilege periods beginning in the 2006 calendar year, Net Operating Loss deductions return to full deductibility. *L.* 2004, *c.* 47. In addition, under *L.* 2004, *c.* 47, the date on which the amount of the disallowed Net Operating Loss carryover deduction would otherwise expire is extended to a period equal to the period for which application of the Net Operating Loss was disallowed. To encourage businesses to invest in the State of New Jersey, *L.* 2008, *c.* 102 extended the number of years to which a corporation business taxpayer can deduct net operating losses from its taxable income. For privilege periods ending after June 30, 2009, the net operating loss deduction period is extended from seven years to twenty years. Net operating losses for privilege periods ending before June 30, 2009 continue to have a seven-year deduction period. *L.* 2014, *c.* 13 reduces the net operating losses for any privilege period ending after June 30, 2014, and any net operating loss carryover for that privilege period, by the amount excluded from federal taxable income relating to certain debt cancellations.

For privilege periods after December 31, 2004, *L.* 2005, *c.* 127 disallows (*i.e.*, "uncouples") the deduction for certain qualified production activities income, which deduction is allowed for federal income tax purposes under the American Jobs Creation Act of 2004 (Pub. L. 108-377). Specifically, Section 1 of the Act amends C. 54:10A-4 of the CBT Act by modifying the definition of "entire net income" to disallow a deduction for amounts that may be deducted for federal tax purposes pursuant to the federal Internal Revenue Code of 1986, 26 *U.S.C.* 199. This exclusion shall not apply to amounts deducted pursuant to federal § 199 that are exclusively based upon domestic production gross receipts of the taxpayer derived solely from any lease, rental, license, sale, exchange, or other disposition of qualifying production property which the taxpayer demonstrates to the satisfaction of the director was manufactured or produced by the taxpayer in whole or in significant part within the United States (but excluding qualified production property that was grown or extracted by the taxpayer). Chapter 127 also defines the statutory term "manufactured or produced" for CBT purposes, which definition limits the term consistent with the other amendments implemented by c. 127 (*L.* 2005, *c.* 127, effective July 6, 2005).

For privilege periods beginning after December 31, 2008 and before January 1, 2011, *L.* 2009, *c.* 72 decouples the corporation business tax from section 1231 of the federal American Recovery and Reinvestment Act of 2009 (ARRA), which added subsection (i) to section 108 of the Internal Revenue Code, allowing businesses that repurchase debt in 2009 and 2010 to defer reporting discharge of indebtedness income as taxable income until 2014 and then to spread this income over the five tax years from 2014 through 2018. By decoupling New Jersey from the new federal subsection (i), New Jersey corporate taxpayers will not be able to defer this income but will be required to continue reporting the income in the year it is earned. However, corporate taxpayers will be able to exclude the income from New Jersey taxable income in future years when it is required to be recognized federally as taxable income under subsection (i), thus it will not be taxed twice under the Corporation Business Tax.

L. 2012, *c.* 35, amends the "Urban Transit Tax Hub Credit Act" to increase the cap on the total amount of tax credits authorized under such Act for eligible businesses making capital investments in the State. The cap is increased from $1.5 billion to $1.75 billion.

L. 2013, *c.* 14, known as the "New Jersey Angel Investor Tax Credit Act," provides tax credits against Corporation Business Taxes and Gross Income Taxes for qualified investments made by high net worth individuals into high-risk start-up ventures. Subject to certain limitations, tax credits equal 10% of a taxpayer's qualifying investment in an emerging technology company, up to a maximum allowed credit of $500,000 per year for each qualifying investment.

Cosmetic Medical Procedures Gross Receipts Tax

L. 2004, *c.* 53 imposes a 6% gross receipts tax on certain cosmetic medical procedures, defined as any medical procedure performed on an individual which is directed at improving the subject's appearance, and which does not meaningfully promote the proper function of the body or prevent or treat illness or disease. The tax must be collected from the subject of the procedure by each person billing for services, property or occupancy associated with the cosmetic medical procedure.

This tax will be reported and paid on a quarterly basis in a manner prescribed by the Director of the Division of Taxation in accordance with regulations to be promulgated. The tax imposed will be governed by the provisions of the State Uniform Tax Procedure Law. *L.* 2004, *c.* 53.

L. 2011, c. 189 phases out the tax over three years. The tax which shall be paid shall be imposed: (1) at the rate of 4% on the gross receipts from a cosmetic medical procedure performed on or after July 1, 2012 but before July 1, 2013, (2) at the rate of 2% on the gross receipts from a cosmetic medical procedure performed on or after July 1, 2013 but before July 1, 2014, and (3) at the rate of 0% on the gross receipts from a cosmetic medical procedure performed on or after July 1, 2014.

Energy Tax Receipts

To preserve certain revenues while transitioning to more competitive markets in energy and telecommunications, the law concerning taxation of gas and electric public utilities, and certain telecommunication companies was amended. The tax laws concerning sales of electricity, natural gas, and energy transportation service, were also amended. Effective January 1, 1998, the Gross Receipts and Franchise Tax previously collected by electric, gas and telecommunications utilities, was eliminated. *L.* 1997, *c*. 162. In its place, electric, gas, and telecommunications utilities, became subject to the State's Corporation Business Tax and the retail sale of electricity and natural gas, with certain exceptions, became subject to the State's Sales and Use Tax. *P.L.* 1997, *c*. 167.

A portion of the revenues derived from the energy tax receipts are credited to a special dedicated fund known as the "Energy Tax Receipts Property Tax Relief Fund" ("Fund"). The Fund guarantees annual State aid to municipalities. *L.* 1997, *c*. 167.

A Transitional Energy Facility Assessment ("TEFA") to be phased out over five years, is applied on electric and gas utilities. *L.* 1997, *c*. 162. This phase out has been extended through 2011. *L.* 2008, *c*. 32.

This act (*L.* 2008 *c*. 32) will freeze the TEFA unit rate surcharge at calendar year 2008 rates for 2009, 2010, and 2011 and then reduce those surcharges in calendar years 2012 and 2013 by the following percentages:

January 1, 2012	25%
January 1, 2013	50%

After December 31, 2013, the TEFA assessments will be eliminated to comport with the original planned phase-out of the tax as had been proposed in the 1997 energy tax reform law.

L. 2007, *c*. 94 grants a seven (7) year period of exemption from the State's Sales and Use Tax and the TEFA unit rate surcharge to qualified manufacturing facilities producing products meeting certain recycled content standards. However, qualified manufacturing facilities will continue to pay the sales tax and the TEFA surcharge but shall file for quarterly refunds within 30 days of the close of the calendar quarter.

Current Rates: For gas and electric companies: the standard tax rate as determined by the BPU plus 12.5% surtax (5% if gross *receipts do not exceed $50,000).*

For sewerage and water corporations: 5% (2% if gross receipts do not exceed $50,000) plus 7.5% on gross receipts plus 0.625% surtax (.25% if gross receipts do not exceed $50,000) plus 0.9375%.

For other utilities — 5% (2% if gross receipts do not exceed $50,000) plus 0.625% surtax (.25% if gross receipts do not exceed $50,000) plus 0.5%.

Gross Income Tax (GIT)

The GIT is imposed on enumerated categories of gross income of New Jersey resident individuals, estates and trusts. New Jersey source income, except pension and annuity income (*L.* 1989, *c*. 219) or other retirement income, such as income from IRC § 401(k), 403, 414, 457 Plans (*L.* 104, *c*. 95, effective January 1, 1996), of non-resident individuals, estates and trusts, is also subject to GIT. Gambling winnings of non-residents are subject to the GIT as well. *L.* 1993, *c*. 143. Non-residents pay GIT based on a statutory calculation which requires non-residents to compute liability as though they are residents and then prorate liability by the proportion of New Jersey source income to total income. *L.* 1993, *c*. 178. However, the requirement that non-residents must compute their tax liability on a prorated basis may be suspended provided New York State eliminates a similar requirement for its non-resident personal income taxpayers. *L.* 1993, *c*. 320.

The GIT includes many of the same taxable additions as the federal income tax, but allows only certain deductions such as for personal exemptions, medical expenses, alimony payments, property taxes on principal residences and qualified contributions of certain real property interests. Gross income does not include employer-provided commuter transportation benefits for employees who participate in ride-sharing programs; beginning in 1993, $720 of such benefits is excludible from income (*L.* 1993, *c*. 108) and beginning January 1, 1997, $1,000 is deductible, with this amount annually adjusted based on relevant C.P.I.'s. *L.* 1996, *c*. 121. Gross income also does not include earnings on or distributions from an individual trust account or savings account established pursuant to the New Jersey Educational Savings Trust Program (*L.* 1997, *c.* 237); or contributions to or distributions from a medical savings account excluded from federal gross income under 26 *U.S.C.* § 220 (*L.* 1997, *c.* 414). Roth IRA's also receive favorable tax treatment. *L.* 1998, *c.* 57. Additionally, under the "New Jersey Limited Liability Company Act," for State tax purposes, members or assignees of members of the newly created limited liability companies are treated as partners in a partnership and single member limited liability companies are treated as sole proprietorships, unless treated otherwise for federal income tax purposes. *L.* 1993, *c.* 210; *L.* 1998, *c.* 79. Beginning January 1, 2001 military pension and survivor benefits respecting service in the United States Armed Forces are included. *L.* 2001, *c.* 84. However, for taxable years beginning on or after January 1, 2004, *L.* 2005, *c.* 63 excludes from taxable income housing and subsistence allowances received by New Jersey National Guard members on State Active duty, and by members of the U.S. Armed Forces' active and reserve components (effective April 7, 2005).

For taxable periods commencing during 1996, resident taxpayers are allowed to take deductions against gross income tax pursuant to the "Property Tax Deduction Act." *L.* 1996, *c.* 60. Among the key provisions of *L.* 1996, *c.* 60 are the graduated deductions allowed over a three-year period to a maximum of $10,000 per year thereafter. Specifically, the allowable 1996 deductions are based on 50% of property taxes paid on the resident's homestead, not to exceed $5,000. In 1997, resident taxpayers are allowed deductions based on 75% of property taxes paid, not to exceed $7,500. Married residents filing separately are allowed one-half of the deduction permitted by law on the qualifying homestead. Allowable deductions are subject to certain limitations. The deductions are available in some instances for renters as well. The law also provides for a minimum benefit for certain classes of taxpayers in the form of a $50 credit, which was phased in for 1996 in the amount of $25 and for 1997 in the amount of $37.50. For sales or exchanges of principal residences occurring after May 7, 1997, gains of up to $500,000 on joint returns and $250,000 on single returns may be excluded, subject to certain limitations and qualifications. *L.* 1998, *c.* 3.

The minimum taxable income for gross income tax purposes is amounts in excess of $7,500 for unmarried individuals, estates, trusts, heads of households, surviving spouses and married couples filing joint returns for tax years commencing January 1, 1994. *L.* 1994, *c.* 8. With respect to married persons filing separate returns, the minimum taxable income subject to tax is amounts in excess of $3,750.

L. 2000, *c.* 80 created an Earned Income Tax Credit ("EITC") program in New Jersey. Effective January 1, 2007, an eligible New Jersey resident can claim a credit based upon a percentage of the individual's federal EITC, which is allowed and applied for, under section 32 of the federal Internal Revenue Code of 1986 (26 *U.S.C.* 32). *L.* 2008, *c.* 109. The credit percentages for eligible claimants are as follows: 20% from 2003 through 2007, 22.5% in 2008, 25% for 2009, and 20% for 2010 and thereafter. *L.* 2010, *c.* 27.

L. 2003, *c.* 9, effective January 27, 2003, creates an exemption from New Jersey gross income tax for income of decedent victims of the September 11, 2001 terrorist attacks. The exemption applies to income received in tax years 2000 and 2001. *L.* 2003, *c.* 9 also provides for the refund, without interest, of any income tax paid for the applicable tax years. Further, the measure extends the deadline for filing refund claims for the applicable tax years to four years from the end of the tax year in which the decedent died.

L. 2004, *c.* 55 amends the Gross Income Tax Act by imposing a Gross Income Tax obligation on nonresident individuals, estates, or trusts to report and pay estimated Gross Income Tax on any gain derived from the sale or transfer of real property in the State of New Jersey. Chapter 55 specifies that county recording officers will act as agents of the Director, Division of Taxation, in collecting the estimated gross income tax due at an amount no less than 2% of the consideration stated in the deed for the sale or transfer of property and transmitting those funds, net of the administrative fee, to the Division of Taxation in such form and manner as the Director will determine.

Chapter 55 further requires that no deed for the sale or transfer of real property by a nonresident will be accepted or recorded by the county recording officer without the simultaneous filing of the appropriate forms and the payment of the tax due or proof of payment. The Act became effective on August 1, 2004. *L.* 2004, *c.* 55. *See also*, summary of *L.* 2004, *c.* 66, amending the Realty Transfer Tax, below.

For tax years 2005 and thereafter, Chapter 139 creates a deduction from the GIT for certain health care providers who practice in or near a Health Enterprise Zone. *L.* 2004, *c.* 139.

For the same taxable periods, *L.* 2005, *c.* 127 disallows (*i.e.*, "uncouples") the deduction for certain qualified production activities income, which deduction is allowed for federal income tax purposes under the American Jobs Creation Act of 2004 (Pub. L. 108-377). Specifically, Section 2 of c. 127 specifies that the deduction of any amounts pursuant to § 199 of the federal Internal Revenue Code of 1986, 26 *U.S.C.* 199, shall be disallowed. However, this disallowance shall not apply to amounts deducted pursuant to section 199 of the federal Internal Revenue Code of 1986 that are exclusively based upon domestic production gross receipts of the taxpayer, or allocable to the taxpayer under that section, which are derived only from any lease, rental, license, sale, exchange, or other disposition of qualifying production property.

The uncoupling required by Chapter 127 will not apply to gross receipts from qualifying production property manufactured or produced by the taxpayer. The uncoupling will apply to the other activities described above and that are set forth under the American Jobs Creation Act of 2004, will apply to qualified production property that was grown or extracted by the taxpayer, (*L.* 2005, *c.* 127, effective July 6, 2005).

Chapter 130 eliminates the GIT pension exclusion and other retirement income exclusion for certain taxpayers. Section 1 of the Act amends C. 54A:6-10 by eliminating the pension exclusion from gross income for taxable years beginning on or after January 1, 2005, unless a taxpayer's gross income does not exceed $100,000. Similarly, Section 2 of the Act amends C. 54A:6-15 to eliminate exclusion of other retirement income for taxable years beginning on or after January 1, 2005, unless a taxpayer's gross income does not exceed $100,000 (*L.* 2005, *c.* 130, effective July 2, 2005).

Effective January 1, 2012, a taxpayer is permitted an alternative business calculation deduction offsetting gains from one type of business with losses from another. *L.* 2011, *c.* 60. Net business-related losses can be carried forward for up to 20 years. The alternative business deduction is limited to four categories of business income as follows: (1) net profits from business; (2) net gains or net income derived from, or in the form of rents, royalties, patents, and copyrights; (3) distributive share of partnership income; and (4) net pro rata share of S corporation income.

Rates: Beginning in 1996 and thereafter, further rate reductions enacted pursuant to *L.* 1995, *c*. 165 will result in cumulative decreases from the 1993 taxable year levels of 30%, 15% and 9% for certain taxable income levels.

The graduated rate effective for tax years commencing January 1, 1996 for married couples filing jointly and certain qualified individual filers is: 1.400% on taxable income not exceeding $20,000; $280.00 plus 1.750% on taxable income in excess of $20,000 but not over $50,000; $805.00 plus 2.450% on taxable income in excess of $50,000 but not over $70,000; $1,295.50 plus 3.500% on taxable income in excess of $70,000 but not over $80,000; $1,645.00 plus 5.525% on taxable income in excess of $80,000 but not over $150,000; and $5,512.50 plus 6.370% on taxable income exceeding $150,000.

The graduated rate effective for tax years commencing January 1, 1996 for qualified individual filers is: 1.400% on taxable income not exceeding $20,000; $280.00 plus 1.750% on taxable income in excess of $20,000 but not over $35,000; $542.50 plus 3.500% on taxable income in excess of $35,000 but not over $40,000; $717.50 plus 5.525% on taxable income in excess of $40,000 but not over $75,000; and $2,651.25 plus 6.370% on taxable income exceeding $75,000.

Beginning in 2004 and thereafter, a new graduated gross income tax rate of 8.97% will be imposed on taxpayers with income over $500,000. *L.* 2004, *c.* 40.

Beginning on January 1, 2009 and before January 1, 2010, a new graduated gross income tax rate of 8% will be imposed on taxpayers with income over $400,000, a new graduated rate of 10.25% will be imposed on taxpayers with income over $500,000 but not over $1,000,000 and a new graduated rate of 10.75% will be imposed on taxpayers with income over $1,000,000. *L.* 2009, *c.*69.

L. 2009, *c.* 69 also suspends the property tax deduction for taxable years beginning on or after January 1, 2009 for taxpayers who have gross income for that taxable year of more than $250,000 and are not: (1) 65 years of age or older; or (2) allowed a personal exemption as a blind or disabled individual and caps the maximum property tax deduction to $5,000 for taxpayers who have gross income for that taxable year of more than $150,000, but not exceeding $250,000, and are not: (1) 65 years of age or older; or (2) allowed a personal exemption as a blind or disabled individual.

Chapter 69 also provides that New Jersey Lottery winnings from prizes exceeding $10,000 are taxable under the GIT and authorizes the New Jersey State Lottery to withhold a percentage of such winnings for GIT.

Hazardous Substance Transfer Tax and Hazardous Substance Cleanup and Remediation Fees

L. 2004, *c.* 50 ("Chapter 50") changes the tax for transfers of hazardous substances to $0.023 per barrel for petroleum or petroleum products, precious metals, elemental phosphorus, or in certain circumstances, antimony or antimony trioxide sold for use in the manufacture or the purpose of fire retardants. For hazardous substances other than petroleum products, precious metals, elemental phosphorus, or, in certain circumstances, antimony or antimony trioxide sold for use in the manufacture or for the purpose of fire retardants, the tax is 1.53% of the fair market value of the product.

The Chapter 50 is retroactive to January 1, 2004, thus requiring a taxpayer to file an amended tax return on or before the third month following the date of enactment and pay the additional taxes owed on transfers occurring between January 1, 2004, and the date of enactment of this Act.

Chapter 50 also makes permanent a provision (section 1 of *L.* 2002, *c.* 37) scheduled to expire on June 30, 2004. This provision defines the circumstances under which the Department of Environmental Protection may establish or impose fees for Department oversight of hazardous substance cleanups and remediations, which include indirect costs.

Chapter 50 provides that sections 1 and 4 became effective on June 30, 2004. Section 2 pertaining to the tax rate changes, took effect immediately, is retroactive to January 1, 2004, and applies to all transfers of hazardous substances occurring on or after January 1, 2004. Section 3 took effect immediately. *L.* 2004, *c.* 50.

Homestead Property Tax Credit Act

In April 2007, the Legislature enacted the "Homestead Property Tax Credit Act" (the "Act"). The Act amends the current Homestead Property Tax Rebate Act, *P.L.* 1990 *c.* 61 (C. 54:4-8.57), to further reduce the property tax burden on New Jersey homeowners and renters. The Act also permits an electronic funds transfer of any credit allowed under the Act, to the local property tax account of the claimant. Although, in some instances, any homestead benefit applied for under the Act may still be issued as a rebate. *L.* 2007 *c.* 62.

Currently, the credit or rebate is calculated based upon a percentage of the property taxes, not in excess of $10,000, paid by the claimant on the claimant's homestead as follows:

For Resident Taxpayer With 2012 Tax Year Gross Income:	Benefit Calculation
Not over $50,000	Multiply the amount of the 2006 property taxes paid by 10%
Over $50,000 but not over $75,000	Multiply the amount of the 2006 property taxes paid by 6.67%
Over $75,000	Not eligible

Taxpayers who are 65 years or older, or a taxpayer who is allowed to claim a personal deduction as a blind or disabled taxpayer, shall be allowed a homestead credit or rebate calculated based upon a percentage of the property taxes, not in excess of $10,000, paid by the claimant on the claimant's homestead as follows:

For Resident Taxpayer With 2012 Tax Year Gross Income:	Benefit Calculation
Not over $100,000	Multiply the amount of the 2006 property taxes paid by 10%
Over $100,000 but not over $150,000	Multiply the amount of the 2006 property taxes paid by 5%
Over $150,000	Not eligible

Eligibility for payment of homestead benefits is subject to change by the State budget.

Homestead Property Tax Reimbursement

The Homestead Property Tax Reimbursement ("PTR") program is a program designed to alleviate the property tax burden for eligible claimants who are over 65 years old or are disabled persons. The PTR is calculated based upon the difference between an eligible claimant's base year (the first year the claimant is deemed eligible to participate in the program), and the property taxes assessed and paid in the year of the PTR being sought. However, to receive a PTR, the property taxes assessed and paid must be greater than the eligible claimant's base year. Eligibility for payment of PTRs is subject to change by the State budget.

For fiscal year 2015, only applicants whose income for the 2012 tax year did not exceed $82,880 and whose income for the 2013 tax year did not exceed $70,000 are eligible to receive a 2013 PTR provided they met all the other program requirements. Residents whose 2013 income was over $70,000 but not over $84,289 will not receive PTRs for 2013. However, by filing a 2013 application, these residents can establish their eligibility for benefits in future years.

Hotel and Motel Occupancy Fee

A State hotel and motel occupancy fee is imposed by *L.* 2003, *c.* 114, effective July 1, 2003. The law also authorizes an optional municipal hotel and motel occupancy fee. The amount of the tax will vary year to year. For Fiscal Year 2004, the State imposed a 7% fee. For Fiscal Year 2005 and thereafter, a 5% fee will be imposed.

In addition, the law authorizes an optional tax, which applies to most municipalities, at the rate of 1% for Fiscal Year 2004 and up to 3% for Fiscal Year 2005 and thereafter. Where a municipality imposes the optional tax, any unpaid tax is subject to interest at 5% per annum. *L. 2010, c. 55*. Some municipalities have existing hotel taxes, such as Atlantic City, the Wildwoods, Newark and Jersey City. The combined rates of the new fee imposed under *L. 2003, c. 114*, plus the Sales and Use Tax and any tax and assessment imposed under *L. 1992, c. 165,* section 4 cannot exceed 14% (*L.* 2006, *c*. 44). In municipalities with existing hotel taxes pursuant *L. 1981, c. 77*, the law provides that the State will receive a 1% hotel and motel occupancy fee. *L. 2003, c. 114.*

Effective January 26, 2007, an eligible municipality that establishes a sports and entertainment district, may dedicate by ordinance, the hotel and motel occupancy fees that municipalities are authorized to impose pursuant to *L.* 2003, *c.* 114 (C. 40:48F-1), and may charge an additional 2% fee from hotels within the district, for a period of no more than 30 years. An eligible municipality may dedicate some or all of the fees collected, to the project costs of the sports and entertainment facility. *L.* 2007, *c.* 30.

Insurance Premiums Tax

The Insurance Premiums Tax is imposed on net premiums collected by every stock, mutual and assessment insurance company transacting business in New Jersey for insurance contracts covering property and risks in this

State. Effective January 1, 1992, health service corporations became subject to tax on their experience-rated health insurance. *L.* 1989, *c.* 295. A surtax on all automobile insurance premiums, except as exempted by statute, was imposed from June 1, 1990 through May 31, 1992. *L.* 1990, *c.* 8.

Current Rates: 1.40% on group accident and health or legal insurance policies; 2.1% on life and non-life insurance companies; 5% on surplus lines coverage; 5.25% on marine insurance companies; 2% on foreign fire insurance companies.

Chapter 128 modifies the insurance premiums tax treatment of health service corporations. Specifically Chapter 128 amends the maximum tax rule, which rule caps taxable premiums at 12.5% of total premiums for any company whose taxable premiums in New Jersey exceed 12.5% of its total taxable premiums. The amendment excludes all health service corporations established pursuant to the provisions of *L.* 1985, *c.* 236 (C. 17:48A-1 *et seq.*) from the coverage of the cap. Additionally, the Act imposes the insurance premium tax on all premiums of health services corporations and on any life, accident or health insurance corporation in which a health services corporation owns stock in, controls, or with which it otherwise becomes affiliated (*L.* 2005, *c.* 128, effective July 2, 2005). Effective January 1, 2009, accident and health insurance premiums are excluded from the taxable premiums cap. *L.* 2009, *c.* 75.

For Fiscal Year 2010, $19.5 million is dedicated to the Health Care Subsidy Fund from the revenue collected from accident and health insurance premiums. Also, *L.* 2009, *c.* 75, allows for a one-time transfer of $60 million from the New Jersey Surplus Lines Insurance Guaranty Fund to the Health Care Subsidy Fund but provides a contingency appropriation not to exceed $27 million from the General Fund in the event the New Jersey Surplus Lines Insurance Guaranty Fund is left with insufficient funds to meet its obligations under the law. *L.* 2009, *c.* 75.

L. 2009, *c*. 75 increases the tax on group accident and health insurance premiums from 1.05% to 1.40% for one year. Thus, the tax rate on group accident and health insurance premiums for 2009 is 1.40% and will return to a rate of 1.05% starting in 2010.

Chapter 75 also excludes accident and health insurance premiums from the 12.5% limitation of tax on a company's total premiums when the ratio of New Jersey's business to total business is greater than 12.5%. Moreover, Chapter 75 changes the definition of insurance company to include dental service corporations for purposes of the insurance premiums tax provisions for a period of one year from January 1, 2009 through December 31, 2009. A dental service corporation must file and remit the tax at a rate of 1.40% for the 2009 calendar year on March 1, 2010. *L.* 2009 *c.* 75.

L. 2011 *c.* 25 imposes a new tax rate on captive insurance companies. The annual minimum aggregate tax calculated for both direct premiums and assumed reinsurance premiums to be paid is $7,500 and the annual maximum aggregate tax is $200,000. With respect to direct premiums, captive insurers must pay a tax of .38 of 1% on the first $20 million; .285 of 1% of the next $20 million; .19 of 1% on the next $20 million and .072 of 1% on each dollar thereafter on the direct premiums collected or contracted for on policies or contracts of insurance written by the company during the year ending December 31. Captive insurers may deduct return premiums including dividends on unabsorbed premiums or premium deposits returned or credited to policyholders. No tax is due or payable on considerations received for annuity contracts. With respect to assumed reinsurance premiums, the tax is imposed at the rate of .214 of 1% on the first $20 million of assumed reinsurance premiums; .143 of 1% on the next $20 million; .048 of 1% on the next $20 million and .024 of 1% of each dollar thereafter. The reinsurance premium tax does not apply to premiums for risks or portions of risks, which are subject to taxation on a direct basis. In addition, the reinsurance premium tax does not apply in connection with the receipt of assets in exchange for the assumption of loss reserves and other liabilities of another insurer under common ownership and control, when (1) the transaction is part of a plan to discontinue the operations of the other insurer and (2) the intent of the parties to the transaction is to renew or maintain the business with the captive insurance company.

L. 2011, *c.* 119 modifies the tax treatment of surplus lines policies so that the tax payable pursuant to this section shall be based on the total United States premium for the applicable policy when New Jersey is the home state.

Litter Control Fee

As part of the "Clean Communities and Recycling Grant Act," a litter control fee is imposed upon manufacturers, wholesalers, distributers, and retailers, who are engaged in the business of selling litter-generating products in the State.

Rate: 3/100 of 1% (.003) on manufacturers, wholesalers and distributors. 2.25/100 of 1% (.000225) on certain retailers of litter-generating products.

Local Tire Management Program Fee

L. 2004, *c.* 46 took effect on August 1, 2004. Chapter 46 imposes on the purchaser a fee of $1.50 on the sale of a new motor vehicle tire if the sale is subject to tax pursuant to the "Sales and Use Tax Act," *L.* 1966, *c.* 30 (C.54:32B-1). If the purchaser or transferee is exempt under subsections (a) or (b) of section 9 of the Act, no fee is imposed. This fee is also imposed on new motor vehicle tires as a component part of a motor vehicle and motor vehicle tires as a component part of a leased motor vehicle. The Director of the Division of Taxation will have all of the powers and authority granted under the Sales and Use Tax Act in order to carry out the fee provisions of this Act. Also, the fee provisions of this act will be governed by the provisions of the State Uniform Tax Procedure Law, R.S. 54:48-1 *et seq.*

Also, Chapter 46 establishes a Local Tire Management Program in the Department of Environmental Protection for the proper cleanup of abandoned tire piles and to provide grants to counties and municipalities for proper cleanup of abandoned tire piles within their respective jurisdictions. To fund these grants, and for other purposes, Chapter 46 establishes the Tire Management and Cleanup Fund, a nonlapsing fund in the Department of Environmental Protection. After collection costs, the first $2.3 million in fees collected will be deposited in this fund. Additional fee revenues will be available for appropriation to the Department of Transportation to support snow removal operations. *L.* 2004, *c.* 46.

Motor Fuels Tax

The Motor Fuels Tax is a tax imposed upon the sale of motor fuel, liquefied petroleum, and aviation gasoline, for use or consumption in the State. While fuel taxes are imposed upon the ultimate consumer, *L.* 2010, *c.* 22 requires that the tax be pre-collected by the fuel supplier, permissive supplier, importer, exporter, blender, distributor, aviation fuel dealer, and liquefied petroleum gas dealer; *L.* 2010 *c.* 22 changes the point of motor fuel taxation from the retail and distribution system of refineries, pipelines, ships and barges, at a terminal. A reduction in the administrative costs for both taxpayers and tax administrators is expected from changing the point of taxation. *L.* 2010, *c.* 22.

Article VIII, Section 2, Paragraph 4 of the New Jersey Constitution provides for a dedication of revenue from the Motor Fuels Tax to the Transportation Trust Fund Account for improvements to the State Transportation infrastructure. Effectively July 1, 2007, the dedicated funds shall be an amount equivalent to $0.105 per gallon.

Current Rates: Motor Fuel — 10.5 cents per gallon for gasoline and blended fuel that contains gasoline or is intended for use as gasoline; 13.5 cents per gallon for diesel fuel and blended fuel that contains diesel fuel or is intended for use as diesel fuel and kerosene (but does not include aviation grade kerosene). Liquefied Petroleum Gas — 5.25 cents per gallon. Aviation gasoline — 10.5 cents per gallon. In addition to the forgoing, aviation fuel distributed to a general aviation airport is taxed at 2 cents per gallon. *L.* 2010, *c.* 22.

Nursing Home Quality of Care Improvement Fund Act

The "Nursing Home Quality of Care Improvement Fund Act" establishes a non-lapsing fund for enhancement of the quality of nursing home care in New Jersey. Each nursing home provider is to pay a quarterly assessment not to exceed 6% of the aggregate amount of annual statewide nursing home revenues. These assessments will, in turn, be used to attract federal matching funds. *L.* 2003, *c.* 105.

Petroleum Products Gross Receipts Tax

The Petroleum Products Gross Receipts Tax applies to gross receipts from the first sale or use of petroleum products in New Jersey. Exempt sales include home heating oil and propane gas used exclusively for residential heating, certain sales to non-profit or governmental entities, sales to the Federal government (*P.L.* 1991, *c.* 19) and asphalt. The applicability of this tax to the sale of fuel oil used by any utility, co-generation facility or wholesale operation facility to generate electricity was phased out over a period ending December 31, 2004. *L.* 2000, *c.* 156.

In November 2000 Article VIII, Section 4 of the New Jersey Constitution was amended to dedicate to the Transportation Trust Fund Account in the General Fund not less than $100 million for the fiscal year commencing July 1, 2000, and not less than $200 million for each fiscal year thereafter from the petroleum products tax to fund transportation infrastructure improvements.

> *Current Rate:* 2.75%. For fuel oil, aviation fuel and motor fuels, tax is fixed at $0.04 a gallon. *L.* 2000, *c.* 48.

Public Community Water System Tax

The Public Community Water System Tax is imposed on the owner or operator of every public community water system for water delivered after January 1984. *L.* 1983, *c.* 443.

> *Current Rate:* $0.01 per 1,000 gallons of water delivered to consumers.

Realty Transfer Tax

The Realty Transfer Tax is imposed on grantors recording deeds or other writings which transfer title to real property located in New Jersey for consideration greater than $100. Certain transfers of title are exempt from this tax. The Neighborhood Preservation Nonlapsing Revolving Fund is funded by the increase in taxes ($0.75 per $500) collected on transfers greater than $150,000, *L.* 1985, *c.* 222.

> *Current Rates:* Counties collect the tax at a rate of $1.75 for each $500 of consideration up to $150,000 ($0.50 is retained by the county, $1.25 is sent to the State Treasurer) plus $0.75 per $500 of consideration over $150,000. Pursuant to *N.J.S.A.* 46:15-10.1(b), new construction is exempt from 80% of the State portion of the tax imposed by *N.J.S.A.* 46:15-7 (i.e. $1.00), for each $500 of consideration under $150,000. Sales of one and two family, owner-occupied residences owned by senior citizens, blind persons and disabled persons and sales of low and moderate income housing are exempt from the state portion of the tax for each $500 of consideration or fraction thereof (i.e. $1.25). *L.* 2004, *c.* 66.

Pursuant to *N.J.S.A.* 46:15-7.1, a supplemental fee is imposed in addition to the above-recited Realty Transfer Tax upon presentation for filing of deeds evidencing transfers of real property. The supplemental fee will also be collected by the counties. The supplemental fee is $.25 for each $500 of consideration not in excess of $150,000; $.85 for each $500 of consideration in excess of $150,000 but not in excess of $200,000; and $1.40 for each $500 of consideration in excess of $200,000. The law also imposes an additional fee of $1.00 for each $500 consideration, not in excess of $150,000, for transfers of title to property on which there is new construction. The new supplemental fee does not apply to the transfers that are now completely exempt from the current fee and does not apply to the transfers by senior citizens, blind persons, or disabled persons and the transfers of low and moderate income housing. *L.* 2003, *c.* 113.

A new general purpose fee is imposed under *N.J.S.A.* 46:15-7.1 in addition to the above-recited Realty Transfer Tax on grantors upon presentation for filing deeds evidencing transfers of real property whose value is more than $350,000. *L.* 2004, *c.* 66. The general purpose fee will also be collected by the counties. The general purpose fee is $0.90 for each $500 on the first $550,000 of the value recited in the deed of transfer; $1.40 on each $500 of the value between $550,000 and $850,000; $1.90 on each $500 of value between $850,000 and $1,000,000; and $2.15 for each $500 of the value over $1,000,000. *L.* 2004, *c.* 66.

In addition, the grantee (buyer) of real property zoned residential, whether improved or not, for consideration in excess of $1,000,000 is required to pay a separate fee equal to 1% of the full amount of the consideration. The fee imposed by subsection a. of *L.* 2004 *c.* 66 § 8 (C.46:15-7.2) shall not apply to a deed if the transfer of real property is incidental to a corporate merger or acquisition if the equalized assessed value of the real property transferred is less than 20% of the total value of all assets exchanged in the merger or acquisition. *L.* 2006 *c.* 66. Pursuant to Section 9 of *L.* 2004, *c.* 66, the 2004 RTT amendments apply to deeds presented for recording that evidence real property transfers occurring on or after August 1, 2004. Effective February 1, 2005, *L.* 2005, *c.* 19, amended the 1% fee so that it only applies to the purchase of certain types of residentially-zoned property for consideration in excess of $1,000,000, including real property that: (1) is classified for assessment purposes as Class 2 (residential); (2) includes certain property classified for assessment purposes as Class 3A (farm property (regular)) and other real property sold in conjunction with such property; or (3) that is a cooperative unit; or (4) that is classified pursuant to the requirements of *N.J.A.C.* 18:12-2.2 as Class 4A (commercial properties). *L.* 2006 *c.* 66. If a transfer includes property classified pursuant to the requirements of *N.J.A.C.* 18:12-2.2 as Class 4 property or any type, the parties to the transaction shall file affidavits of consideration indicating the consideration, the county and municipality in which the property is situated, and the block and lot description of the real property conveyed.

Chapter 66 of *L.* 2006 did not alter *L.* 2005 *c.* 19, which exempts from the fee any transfer to a 501(c)(3) charitable organization, and permits a full refund to be provided to a buyer who paid the fee but would not have been required to do so under the amended law.

Sales and Use Tax

The Sales and Use Tax is imposed on the receipts from: (a) the retail sale, rental or use of tangible personal property not specifically exempted by statute; (b) the retail sale of services, except for resale, including producing, fabricating, processing, installing, maintaining, repairing, storing and servicing tangible personal property and certain advertising services; (c) sales of food and drink by restaurants and other similar establishments; and (d) the sale, except for resale, of telecommunications. This tax is also imposed on the rental of hotel and motel rooms, and certain admission charges including those for professional wrestling. Effective July 1, 1992, retail sales of alcoholic beverages are also subject to this tax. *L.* 1990, *c.* 40, § 11.

As of October 1, 2006, the scope of the Sales and Use Tax Act is broadened to include "digital property" and some services. Digital property includes delivered music, ringtones, movies, books, audio and video works and similar products where the customer is granted a right or license to use, retain, or make a copy of such an item. *L.* 2006, *c.* 44. *L.* 2011, *c.* 49 deleted the term "digital property" and replaced the term with "specified digital product."

The Sales Tax is also extended as of October 1, 2006, to services, subject to some exemptions, including, but not limited to, furnishing of space for storage; parking, storing or garaging a motor vehicle; tanning services, massage services, tattooing, investigation and security services, information services, limousine services originating within New Jersey; initiation fees, membership fees or dues for access to the use of property or facilities of a health and fitness, athletic, sporting or shopping club or organization. *L.* 2006, *c.* 44.

Exemptions from the Sales and Use Tax include, but are not limited to: prescription medicines and drugs; enumerated medical equipment and supplies; clothing (except fur clothing) and footwear; household paper products; recycling equipment; certain sales of direct mail advertising materials and related printing and production costs; certain sales of materials and supplies for contractors' use in constructing, improving or rehabilitating housing projects financed by the New Jersey Housing and Mortgage Financing Agency and other government subsidies; sales of telephones, telephone lines, cables, central office equipment or station apparatus or other similar equipment, provided that the sale is made to a service provider subject to the jurisdiction of the Board of Public Utilities or the FCC; coin-paid charges for coin-operated telecommunications devices; and property used directly and primarily on farms. The Sales and Use Tax is reduced by 50% in counties in which there is an entrance to an interstate bridge or tunnel connecting New Jersey with a state which does not impose a sales and use tax or imposes such a tax at a rate at least five percentage points lower than the New Jersey rate. *L.* 1993, *c.* 373.

Qualified businesses engaged in making retail sales in a designated Urban Enterprise Zone ("UEZ") are authorized to collect sales tax equal to 50% of the tax rate in effect, except on sales of alcoholic beverages, cigarettes, motor vehicles, restaurant meals, room rentals, catalog sales, and services. *L.* 1983, *c.* 303; *L.* 1993, *c.* 40. Retail sales of personal property (except motor vehicles and energy) and sales of services (except telecommunications services and utility services) to a qualified business for the exclusive use or consumption of such business within the UEZ are exempt from sales tax. *L.* 2007, *c.* 328. Further, receipts from sales made to contractors or repairmen of materials, supplies, or services, for exclusive use in erecting structures or building on, or otherwise improving, altering, or repairing real property of a qualified business within the UEZ, are also exempt from sales tax.

Effective November 6, 1996, eligible developers under redevelopment agreements, who negotiated with the State may receive reimbursement of 75% of the costs of closure and remediation of municipal solid waste landfills after the sites are redeveloped, from one half the sales tax collected on non-exempt sales generated from businesses located on the sites. *P.L.* 1996, *c.* 124. *L.* 2001, *c.* 332 permits a refund of the tax on the purchase of wastewater effluent and conveyance equipment placed in an exempt use.

On November 3, 1998, Article VIII, Section II of the New Jersey Constitution was amended to dedicate up to $98 million annually from sales tax revenues for open space, farmland and historic preservation commencing on July 1, 1999. In November 2000 this Article and Section was amended to dedicate not less than $80 million from sales tax revenue for the fiscal year commencing July 1, 2001, not less than $140 million for the fiscal year commencing July 1, 2002, and not less than $200 million for each fiscal year thereafter, for credit to the Transportation Trust Fund Account in the General Fund to be used to fund improvements to the State's transportation infrastructure.

Effective July 15, 2006, car rental fees are increased from $2 per day to $5 per day (up to 28 days) for each rental motor vehicle. The rental fee is imposed on each rental company in New Jersey with the first $2 to fund disaster and security related purposes. The remainder of the rental fee is to be used to support the State General Fund. *L.* 2006, *c.* 44

L. 2003, *c.* 136, effective August 1, 2003, exempts from sales tax, receipts from rentals of tangible personal property between related business entities. To qualify for this exemption, the entities must be 80% or more owned by each other or 80% owned by the same third parties. This exemption became operative November 1, 2003.

Effective October 1, 2005, *L.* 2005, *c.* 126 conforms New Jersey's SUT Act to the Streamlined Sales and Use Tax Agreement. These amendments to the SUT Act enable the State to join with 42 other states and the District of Columbia to continue the task of seeking common definitions and uniformly understood tax principles. Key features of the Agreement incorporated in the SUT Act by Chapter 126 include certain uniform definitions and determinations of transactions subject to sales and use taxation, uniform exemptions from tax, rate simplification, various administrative provisions, and an amnesty program for uncollected or unpaid sales and use tax for certain sellers under specified circumstances (Approved July 2, 2005).

As of July 1, 2014, the State's sales tax collection and remittance requirements extend to remote sellers who solicit New Jersey customers through an agreement with an independent contractor, or other representative, who has a physical presence in the State. The law creates a rebuttable presumption that remote sellers have nexus with the State from those referrals obtained through an Internet website link, or otherwise, and from which the seller derives over $10,000 in annual taxable sales. *L.* 2014, *c.* 13.

Current Rate: 7% (*L.* 2006, *c.*44).

Sanitary Landfill Facility Taxes

The Landfill Closure and Contingency Tax is levied on the owner or operator of every sanitary landfill facility located in New Jersey on all solid waste accepted for disposal on or after January 1, 1982. *L.* 1981, *c.* 306.

Current Rate: $0.15/cubic yard for solids or $0.002/gallon for liquids

Savings Institution Tax

This tax is applicable to every savings institution (any state or federally chartered building and loan association, savings and loan association, or savings bank) operating a financial business in New Jersey. The tax is prepaid (80% of the following year's tax) when the current year's tax is due. A tax credit is available to savings institutions that provide employees incentives for participating in ride-sharing programs, *L.* 1993, *c.* 150.

The Savings Institution Tax was repealed by the Business Tax Reform Act, *P.L.* 2002, *c.* 40, § 23, effective July 2, 2002. Notwithstanding the repeal of this tax, any pre-existing liabilities, whether self-assessed or assessed by audit, remain due and collectible. *L.* 2002, *c.* 40, § 24.

Former Rate: 3% of net income; minimum of $50 for associations with assets of less than $1 million and $250 for associations with assets of $1 million or more.

Recycling Tax

This tax is imposed on the owner or operator of every solid waste facility located in New Jersey based on all solid waste accepted for disposal on or after January 1, 1982, *L.* 1981, *c.* 278, and on all solid waste accepted for disposal or transfer on or after July 1, 1987. *L.* 1987, *c.* 102. Proceeds from the tax constitute the State Recycling Fund administered by the Department of Environmental Protection and Energy. A credit against the Corporation Business Tax (CBT) is available for purchase of recycling equipment. *L.* 1987, *c.* 102. The tax and C.B.T. credit provision both expired on December 31, 1996. *L.* 1981, *c.* 278. The Solid Waste Recycling Facility Tax was repealed by the Clean Communities and Recycling Grant Act, *L.* 2002, *c.* 128, § 12, effective December 20, 2002.

Former Rate: $1.50/ton

Effective April 1, 2008, there is levied upon the owner or operator of every solid waste facility a recycling tax on all solid waste accepted for disposal or transfer at the solid waste facility. *L.* 2007, *c.* 314.

Current Rate (2008): $3.00/ton

Spill Compensation and Control Tax

This tax is imposed on the first transfer of hazardous substances (as determined by the Department of Environmental Protection) in New Jersey.

Current Rates: (1) Non-petroleum hazardous substances/products — 1.53% of the fair market value of the product, (2) Petroleum substances/products — $0.023 per barrel, and (3) Precious metals (including elemental phosphorous, or, in certain circumstances, antimony or antimony trioxide sold for use in the manufacture or for the purpose of fire retardants) — $0.023 per barrel. *L.* 2004, *c.* 50.

The tax of qualified taxpayers has been capped at 125% of their 1986 tax liability, and does not apply to facilities entirely closed or decommissioned prior to January 1, 1996, but only those facilities existing at the time of assessment as well as in 1986. *L.* 1997, *c.* 143; *L.* 1999, *c.* 342. As of April 1, 2002, the tax is capped at 100% of the tax paid in 1999 for certain taxpayers; and the tax rates for certain transfers of elemental antimony or antimony trioxide were changed. *L.* 2001, *c.* 424.

Sports and Entertainment District Urban Revitalization Taxes

Pursuant to the Sports and Entertainment District Urban Revitalization Act, effective January 26, 2007, an eligible municipality that establishes a sports and entertainment district, may by ordinance establishing the district, assess any or all of the following taxes for a period of not more than 30 years: (1) a 2% tax on receipts from every sale within the district of tangible personal property subject to taxation under subsection (a) of section 3 of *L.* 1966, *c.* 30 (C. 54:32B-3); (2) a 2% tax on sales within the district of food and drink subject to taxation pursuant to subsection (c) of section 3 of *L.* 1966, *c.* 30 (C. 54:32B-3); (3) a 2% tax on hotel rooms occupied within the district and subject to taxation pursuant to subsection (d) of section 3 of *L.* 1966, *c.* 30 (C. 54:32B-3); and (4) a 2% tax on admission charges to places of amusement within the district subject to taxation pursuant to subsection (3) of *L.* 1966, *c.* 30 (C. 54:32B-3). An eligible municipality may dedicate some or all of the taxes collected, to the financing of a sports and entertainment facility within the district. *L.* 2007, *c.* 30.

Transfer Inheritance and Estate Tax

The Transfer Inheritance Tax applies to the transfer of all personal property, New Jersey real property and intangible personal property wherever situated, having a market value of $500 or more in estates of resident decedents and of real and tangible personal property located within New Jersey of non-resident decedents. No tax is imposed on transfers made to a husband, wife or child of a decedent. *L.* 1985, *c.* 57.

Current Rates: 11% to 16%, depending on the relationship of the beneficiaries to the decedent and the amount received by each beneficiary.

For decedents dying on or before December 31, 2001, the estate tax constitutes the amount of any available federal estate tax credit remaining after state inheritance and estate taxes are paid, under the provisions of the federal estate tax in effect on December 31, 2001. The federal estate tax in effect on December 31, 2001 is on the value of a decedent's estate after allowing a credit calculated as a percentage of the federal liability, for any State inheritance or estate taxes paid. For decedents dying after December 31, 2001, the estate tax is computed in accordance with the federal estate tax as of December 31, 2001 or under a simplified method prescribed by the Director of the Division of Taxation, as the estate representative may elect. *L.* 2002, *c.* 31. The estate tax is due nine months after the death of the decedent, at the time the federal return is filed.

Tourism Tax

This tax may be imposed on certain tourism related retail receipts within tourism improvement and development districts created by ordinances of two or more contiguous municipalities located in counties of the sixth class. *L.* 1992, *c.* 165; *L.* 1997, *c.* 273.

Current Rate: not to exceed 2%.

Voice Grade Access Line and Service Number Fees

L. 2004, *c.* 48 imposes a fee of $0.90 to be charged by mobile telecommunications companies for each voice grade access service number as part of mobile telecommunications service provided to a customer, billed by or for the customer's home service provider, and provided to a customer with a place of primary use in this State. It further imposes a fee of $0.90 for each voice grade access line provided by a telephone exchange company.

It exempts from the fee charged by a telephone exchange company any customer enrolled in the Lifeline Telecommunications program or in receipt of Lifeline Telecommunications or Universal Service Fund benefits for a periodic bill. State government agencies, county or municipal governments or their agencies and school districts are further exempt from this fee charged by a telephone exchange company for any bill issued to them on or after January 1, 2005.

This act became effective immediately and applies to billing periods ending on or after July 1, 2004, except that for bills issued to Private Branch Exchange or Centrex systems, this act applies to bills issued for billing periods ending on or after August 1, 2004. *L.* 2004, *c.* 48.

APPENDIX II

PROPOSED FORMS OF LEGAL OPINIONS

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PROPOSED FORM OF APPROVING OPINIONS OF EACH OF
THE ATTORNEY GENERAL OF THE STATE OF NEW JERSEY
AND BOND COUNSEL EXPECTED TO BE DELIVERED IN
CONNECTION WITH THE ISSUANCE OF THE BONDS

[Date of Closing]

The Honorable Chris Christie
Governor of the State of New Jersey

The Honorable Andrew P. Sidamon-Eristoff
New Jersey State Treasurer

The Honorable, Charlene M. Holzbaur
Director of Division of Budget
and Accounting in the Department of the Treasury

RE: State of New Jersey
$[_______] General Obligation Bonds (Various Purposes)

Dear Governor Christie, Treasurer Sidamon-Eristoff and
Director Holzbaur:

We have examined the Constitution and statutes of the State of New Jersey (the "State") and a record of proceedings and other proofs relating to the sale and issuance of $[_______] aggregate principal amount of General Obligation Bonds (Various Purposes) of the State (the "Bonds"), consisting of three separate series as follows: $[______] Port of New Jersey Revitalization, Dredging, Environmental Cleanup, Lake Restoration, and Delaware Bay Area Economic Development Bonds (1996) (Series I), $[_________] 2009 New Jersey Green Acres, Water Supply and Floodplain Protection, and Farmland and Historic Preservation Bonds (Series B), and $[___________] Building Our Future Bonds (2012) (Series B).

The Bonds are dated the date of delivery thereof and shall bear interest from such date, payable semiannually on June 1 and December 1 of each year, commencing June 1, 2015, at the respective rates per annum, and will mature on June 1 in each of the years and in the principal amounts, shown below:

$[_________] General Obligation Bonds (Various Purposes)

Year of Maturity	Principal Amount	Interest Rate
2016		
2017		
2018		
2019		
2020		
2021		
2022		
2023		
2024		
2025		
2026		
2027		
2028		
2029		
2030		
2031		
2032		
2033		
2034		
2035		

The Bonds are issuable as fully registered bonds, without coupons, and when issued will be registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, an automated depository for securities and clearinghouse for securities transactions. Purchases of the Bonds will be made in book-entry form (without certificates) in the denomination of $5,000 or any integral multiple thereof.

The Bonds maturing on or before June 1, 2025 will not be subject to redemption prior to their respective stated maturity dates. The Bonds maturing on or after June 1, 2026 will be subject to redemption prior to their respective stated maturity dates, at par, at the option of the State, acting through the Issuing Officials (as defined in the within mentioned Bond Acts), on any date on or after June 1, 2025, either in whole or in part, by lot, within a maturity from maturities selected by the State upon the payment of 100% of the principal amount thereof and accrued interest thereon to the date fixed for redemption.

The Port of New Jersey Revitalization, Dredging, Environmental Cleanup, Lake Restoration, and Delaware Bay Area Economic Development Bonds (1996) are authorized and issued under and pursuant to the provisions of the Port of New Jersey Revitalization, Dredging, Environmental Cleanup, Lake Restoration, and Delaware Bay Area Economic Development Bond Act of 1996, constituting Chapter 70 of the Laws of New Jersey of 1996.

The 2009 New Jersey Green Acres, Water Supply and Floodplain Protection, and Farmland and Historic Preservation Bonds are authorized and issued under and pursuant to the provisions of the Green Acres, Water Supply and Floodplain Protection, and Farmland and Historic Preservation Bond Act of 2009, constituting Chapter 117 of the Laws of New Jersey of 2009.

The Building Our Future Bonds (2012) are authorized and issued under and pursuant to the provisions of the Building Our Future Bond Act, constituting Chapter 41 of the Laws of New Jersey of 2012.

Based on the foregoing, we are of the opinion that:

1. The sale and issuance of the Bonds are authorized by the Constitution and statutes of the State and by the resolutions of the Issuing Officials adopted on October 29, 2014 and December _, 2014.

2. The Bonds are valid and legally binding direct and general obligations of the State, and the faith and credit of the State are pledged for the payment of the interest thereon as the same shall become due and the payment of the principal thereof at the stated maturity date thereof or upon earlier redemption.

Further, we have examined an executed Bond of each series and, in our opinion, the form and execution of such Bonds are regular and proper.

Respectfully,

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PROPOSED FORM OF TAX OPINION OF BOND COUNSEL

[Closing Date]

The Honorable Chris Christie
Governor of the State of New Jersey

The Honorable Andrew P. Sidamon-Eristoff
New Jersey State Treasurer

The Honorable, Charlene M. Holzbaur
Director of Division of Budget
and Accounting in the Department of the Treasury

Dear Governor Christie, Treasurer Sidamon-Eristoff and
Director Holzbaur:

We have examined the Constitution and statutes of the State of New Jersey (the "State") and a record of proceedings and other proofs relating to the sale and issuance of $[______] aggregate principal amount of General Obligation Bonds (Various Purposes) of the State (the "Bonds"), consisting of three separate series as follows: $[______] Port of New Jersey Revitalization, Dredging, Environmental Cleanup, Lake Restoration, and Delaware Bay Area Economic Development Bonds (1996) (Series I), $[_________] 2009 New Jersey Green Acres, Water Supply and Floodplain Protection, and Farmland and Historic Preservation Bonds (Series B), and $[__________] Building Our Future Bonds (2012) (Series B); including (i) a Tax Regulatory Agreement of the State dated the date hereof (the "Tax Regulatory Agreement"), and (ii) such other matters of fact and law as we have deemed necessary to enable us to render the opinion contained herein.

Based upon and subject to the foregoing and the assumptions and qualifications set forth below, we are of the opinion that:

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met on a continuing basis subsequent to the issuance of the Bonds in order to assure that the interest on the Bonds will be excluded from gross income for federal income tax purposes under Section 103 of the Code. The State's Tax Regulatory Agreement, which is being delivered concurrently with the delivery of the Bonds, contains provisions and procedures regarding compliance with the requirements of the Code. The State, in executing its Tax Regulatory Agreement, has represented that the State expects and intends to comply and, to the extent permitted by law, will comply with the provisions and procedures set forth in the Tax Regulatory Agreement and will do all things necessary to assure that the interest on the Bonds will be excluded from gross income under Section 103 of the Code. Failure by the State to comply with the requirements of the Code may cause interest on the Bonds to be included in gross income retroactive to the date of issue of the Bonds. In rendering the opinions set forth below, we have assumed compliance by the State with its Tax Regulatory Agreement.

We are of the opinion that, pursuant to the applicable provisions of the Code and related rulings, regulations and judicial decisions, (i) interest on the Bonds is not includable in gross income for federal income tax purposes and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations.

[We are also of the opinion that the difference between the principal amount of the Bonds maturing on June 1, _____ (the "Discount Bonds") and their initial offering price to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Discount Bonds of the same maturity was sold, constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Discount Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond, and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount.]

[Under Section 171(a)(2) of the Code, no deduction is allowed for the amortizable bond premium (determined in accordance with Section 171(b) of the Code) on tax-exempt bonds. Under Section 1016(a)(5) of the Code, however, an adjustment must be made to the owner's basis in such bond to the extent of any amortizable bond premium that is disallowable as a deduction under Section 171(a)(2) of the Code.]

No opinion is expressed, however, as to the extent the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of or other consequences to the recipients thereof, which will depend on each recipient's particular tax status and other items of income or deduction.

We also are of the opinion that, under existing laws of the State, interest on the Bonds and any gain on the sale thereof are not includable in gross income under the New Jersey Gross Income Tax Act.

Except as expressly stated herein, we express no opinion as to any federal or state tax consequences of the ownership or disposition of the Bonds.

The opinions expressed herein are based upon and limited to the laws, exclusive of conflicts of law provisions, and judicial decisions of the State and the federal laws and judicial decisions of the United States as of the date hereof and are subject to any amendment, repeal or other modification of the applicable laws or judicial decisions that served as the basis for our opinions, or laws or judicial decisions hereafter enacted or rendered. Our engagement by the State with respect to the opinions expressed herein does not require, and shall not be construed to constitute, a continuing obligation on our part to notify or otherwise inform the addressees hereof of the amendment, repeal or other modification of the applicable laws or judicial decisions that served as the basis for this opinion letter or of laws or judicial decisions hereafter enacted or rendered which impact on this opinion letter.

Very truly yours,

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APPENDIX III

FORM OF AGREEMENT WITH RESPECT TO CONTINUING DISCLOSURE

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AGREEMENT WITH RESPECT TO
CONTINUING DISCLOSURE

The State of New Jersey (the "State") hereby undertakes for the benefit of the beneficial holders of (i) $____________ Port of New Jersey Revitalization, Dredging, Environmental Cleanup, Lake Restoration, and Delaware Bay Area Economic Development Bonds (1996) (Series I), (ii) $____________ 2009 New Jersey Green Acres, Water Supply and Floodplain Protection, and Farmland and Historic Preservation Bonds (Series B) and (iii) $____________ Building Our Future Bonds (2012) (Series B) (collectively, the "Bonds"), to provide information pertaining to the State generally of the type set forth in Section (b)(5)(i) of Rule 15c2-12 promulgated pursuant to the Securities Exchange Act of 1934 (as such Section is now in effect) (hereinafter, the "Rule"), while the Bonds are outstanding.

In connection therewith, (i) annual financial information and operating data of the State substantially of the type captioned as follows in Appendix I to the Official Statement, dated December __, 2014, pertaining to the Bonds under the headings: "STATE FINANCES," "FINANCIAL RESULTS AND ESTIMATES," "OUTSTANDING BONDED INDEBTEDNESS OF THE STATE," "TAX AND REVENUE ANTICIPATION NOTES," "OBLIGATIONS SUPPORTED BY STATE REVENUE SUBJECT TO ANNUAL APPROPRIATION," "MORAL OBLIGATION FINANCING," "STATE EMPLOYEES," "STATE FUNDING OF PENSION PLANS," "FUNDING POST-RETIREMENT MEDICAL BENEFITS," "LITIGATION" and (ii) the State's Comprehensive Annual Financial Report, being the report prepared annually by the Office of the State Auditor with respect to the State's general purpose financial statements for each year, in accordance with provisions of the Governmental Accounting Standards Board Statements No. 34 and No. 35 (the "Report"), in each case, will be provided in an electronic format, accompanied by such identifying information as shall be prescribed by the Municipal Securities Rulemaking Board (the "MSRB") Rule G-32, which shall be in effect on the date of filing of such information, and may cross-reference other information which is available to the public on the MSRB's internet website or which has been filed with the SEC (and if the document incorporated by reference is a final official statement, it must be available from the MSRB), to the MSRB, by not later than March 15 of each year thereafter during which any of the Bonds remain Outstanding, with respect to the fiscal year of the State ending the preceding June 30, commencing with the fiscal year of the State ending June 30, 2014; provided however, that the audited financial statements of the State may be submitted separately if such audited financial statements are not available by such date but only if the unaudited financial statements are in included in the submission.

Additionally, in a timely manner not in excess of ten (10) business days after the occurrence of such event, the State shall deliver to the MSRB or such other entity then required or permitted under the Rule, in such electronic format as is prescribed by the MSRB and accompanied by such identifying information as is prescribed by the MSRB, notice of the occurrence of any of the following events (collectively, "Reportable Events") with respect to the Bonds, to the extent such Reportable Events may be applicable to the Bonds:

1. Principal and interest payment delinquencies;

2. Non-payment related defaults, if material;

3. Unscheduled draws on any debt service reserves reflecting financial difficulties;

4. Unscheduled draws on any credit enhancements reflecting financial difficulties;

5. Substitution of any credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

7. Modifications to rights of bondholders, if material;

8. Bond calls, if material, and tender offers;

9. Defeasances;

10. Release, substitution or sale of property securing payment of the Bonds, if material;

11. Rating changes;

12. Bankruptcy, insolvency, receivership or similar event of the State;

13. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

14. Appointment of a successor or additional trustee, or the change of name of a trustee, if material.

Also, in a timely manner, not later than the last business day of the month in which the Report was due, the State shall deliver to the MSRB or such other entity then required or permitted under the Rule, in such electronic format as is prescribed by the MSRB and accompanied by such identifying information as is prescribed by the MSRB, notice of a failure to provide the Report on or before the date specified herein.

The sole and exclusive remedy for any failure of the State to provide the information in the manner specified in this Agreement shall be the right to obtain specific performance of such obligation to provide such information in a judicial proceeding instituted in accordance with applicable legislation pertaining to suits against the State; provided, however, that the State shall have received written notice of any such failure at least sixty (60) days prior to the commencement of any such judicial proceeding.

This Agreement shall be governed by and construed in accordance with the laws of the State.

This Agreement shall constitute a contract with the beneficial holders of the Bonds. The State's obligations under this Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds.

Notwithstanding any other provisions of this Agreement, the State may amend this Agreement, and any provision of this Agreement may be waived, if such amendment or waiver is supported by a written opinion of counsel expert in federal securities law acceptable to the State, addressed to the State, to the effect that such amendment or waiver will not, in and of itself, cause the undertakings herein to violate the Rule.

Nothing in this Agreement shall be deemed to prevent the State from disseminating any other information using the means of dissemination set forth in this Agreement or any other means of communication in addition to that which is required by this Agreement. If the State chooses to include any information or notice of occurrence of an event in addition to that which is specifically required under this Agreement, the State shall not have any obligation under this Agreement to update or continue to provide such information.

Any information provided pursuant to this Agreement may be submitted as a single document or as separate documents constituting a package and may cross-reference other information submitted.

IN WITNESS WHEREOF, the State Treasurer has caused this Agreement to be executed and delivered on behalf of the State of New Jersey this ___ day of December, 2014.

TREASURER, STATE OF NEW JERSEY

____

Andrew P. Sidamon-Eristoff