PRELIMINARY OFFICIAL STATEMENT DATED APRIL 15, 2013

New Issue - Book-Entry Only

Fitch:
Moody's:
Standard & Poor's:

(See "Ratings" herein)

$350,000,000*
STATE OF NEW JERSEY
GENERAL OBLIGATION BONDS
(Tax-Exempt) (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 $350,000,000* aggregate principal amount of General Obligation Bonds (Tax-Exempt) (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: Tuesday, April 23, 2013*.

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 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. Under existing laws of the State of New Jersey, 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. See "TAX MATTERS" herein.

Redemption: **The Bonds maturing on and after June 1, 2024 are redeemable at the option of the State, in whole or in part, at par, on any date on or after June 1, 2023.**

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 December 1, 2013, 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 May 8, 2013.

Official Statement Dated: April __, 2013

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

$350,000,000*

STATE OF NEW JERSEY
GENERAL OBLIGATION BONDS

(Tax-Exempt) (Various Purposes)

Year (June 1)*	Principal Amount*	Interest Rate	Price or Yield	CUSIP**
2014	$ 9,240,000			
2015	11,160,000			
2016	11,715,000			
2017	12,300,000			
2018	12,915,000			
2019	13,565,000			
2020	14,240,000			
2021	14,955,000			
2022	15,700,000			
2023	16,485,000			
2024	17,310,000			
2025	18,175,000			
2026	19,085,000			
2027	20,040,000			
2028	21,040,000			
2029	22,095,000			
2030	23,195,000			
2031	24,355,000			
2032	25,575,000			
2033	26,855,000			

*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 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
$350,000,000*
GENERAL OBLIGATION BONDS
(Tax-Exempt) (Various Purposes)
consisting of
$10,000,000* Hazardous Discharge Bonds of 1986 (Series I)
$3,500,000* Stormwater Management and Combined Sewer Overflow Abatement Bonds (1989) (Series G)
$3,000,000* 1995 New Jersey Green Acres, Farmland and Historic Preservation, and Blue Acres Bonds (Series I)
$29,000,000* Port of New Jersey Revitalization, Dredging, Environmental Cleanup, Lake Restoration, and Delaware Bay Area Economic Development Bonds (1996) (Series H)
$3,500,000* 2003 Dam, Lake, Stream, Water Resources, and Wastewater Treatment Project Bonds (Series E)
$31,500,000* 2007 New Jersey Green Acres, Farmland, Blue Acres, and Historic Preservation Bonds (Series B)
$169,500,000* 2009 New Jersey Green Acres, Water Supply and Floodplain Protection, and Farmland and Historic Preservation Bonds (Series A)
$100,000,000* Building Our Future Bonds (2012) (Series A)

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 $350,000,000* aggregate principal amount of its General Obligation Bonds (Tax-Exempt) (Various Purposes) consisting of eight 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)*
Hazardous Discharge Bonds of 1986	L. 1986, c. 113	$10,000,000	$200,000,000	$162,000,000
Stormwater Management and Combined Sewer Overflow Abatement Bonds	L. 1989, c. 181	$3,500,000	$50,000,000	$40,500,000
1995 New Jersey Green Acres, Farmland and Historic Preservation, and Blue Acres Bonds	L. 1995, c.204	$3,000,000	$340,000,000	$322,000,000
Port of New Jersey Revitalization, Dredging, Environmental Cleanup, Lake Restoration, and Delaware Bay Area Economic Development Bonds	L. 1996, c. 70	$29,000,000	$300,000,000	$212,500,000
2003 Dam, Lake, Stream, Water Resources, and Wastewater Treatment Project Bonds	L. 2003, c. 162	$3,500,000	$200,000,000	$161,250,000
2007 New Jersey Green Acres, Farmland, Blue Acres, and Historic Preservation Bonds	L. 2007, c. 119	$31,500,000	$200,000,000	$172,500,000
2009 New Jersey Green Acres, Water Supply and Floodplain Protection, and Farmland and Historic Preservation Bonds	L. 2009, c. 117	$169,500,000	$400,000,000	$169,500,000
Building Our Future Bonds	L. 2012, c. 41	$100,000,000	$750,000,000	$100,000,000

The Governor, 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

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

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.

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, if any, of 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 amended and supplemented (the "Sales Tax Revenues"), 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.

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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 December 1, 2013 and semi-annually thereafter on June 1 and December 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	Hazardous Discharge Bonds of 1986 (I)	Stormwater Management and Combined Sewer Overflow Abatement Bonds (1989) (G)	1995 New Jersey Green Acres, Farmland and Historic Preservation, and Blue Acres Bonds (I)	Port of New Jersey Revitalization, Dredging, Environmental Cleanup, Lake Restoration, and Delaware Bay Area Economic Development Bonds (1996) (H)
2014				
2015				
2016				
2017				
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2019				
2020				
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2022				
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2026				
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2031				
2032				
2033				

Year	2003 Dam, Lake, Stream, Water Resources, and Wastewater Treatment Project Bonds (E)	2007 New Jersey Green Acres, Farmland, Blue Acres, and Historic Preservation Bonds (B)	2009 New Jersey Green Acres, Water Supply and Floodplain Protection, and Farmland and Historic Preservation Bonds (A)	Building Our Future Bonds (2012) (A)
2014				
2015				
2016				
2017				
2018				
2019				
2020				
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2030				
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2033				

Optional Redemption

The Bonds maturing on or before June 1, 2023 will not be subject to redemption prior to their respective stated maturity dates. The Bonds maturing on or after June 1, 2024 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, 2023, 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 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 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-Only-Entry 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 Trustee 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 Trustee, 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 Trustee, 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 Trustee, 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 Trustee. 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 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.

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 OR 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 Trustee. 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 Hazardous Discharge Bonds of 1986, the enabling legislation provides that said bonds are authorized for the purposes of financing the cost of identification, cleanup and removal of hazardous discharges.

In the case of the Stormwater Management and Combined Sewer Overflow Abatement Bonds (1989), the enabling legislation provides that said bonds are authorized for the purpose of providing grants and loans to local government units for the costs of stormwater management and combined sewer overflow abatement projects.

In the case of the 1995 New Jersey Green Acres, Farmland and Historic Preservation, and Blue Acres 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) providing for the development by the State for recreation and conservation purposes of Liberty State Park in Hudson County; (v) providing for preservation of farmland; (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; (vii) providing for State grants and loans to assist local government units to meet the coastal Blue Acres cost of acquiring, for recreation and conservation purposes, lands in the coastal area 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 (viii) to meet inland Blue Acres cost of acquisition by the State, for recreation and conservation purposes, of lands in the floodway of the Passaic river and its tributaries 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

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 2003 Dam, Lake, Stream, Water Resources, and Wastewater Treatment Project Bonds, the enabling legislation provides that said bonds are authorized for the purposes of financing the costs of dam restoration and repair projects, lake dredging and restoration projects, stream cleaning and desnagging projects, State flood control projects, water resources projects and wastewater treatment system projects.

In the case of the 2007 New Jersey Green Acres, Farmland, Blue Acres, 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 in the floodways of the Delaware River, Passaic River, or Raritan River, and their respective tributaries, that have been damaged by, or may be prone to incurring damage caused by, storms or storm-relating 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 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 ("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 of New Jersey 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 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, 2013 (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," "FUNDING PENSION PLANS," "FUNDING POST-RETIREMENT MEDICAL BENEFITS," "LITIGATION" and the State's Comprehensive Annual Financial Report as set forth in Appendix A attached to Appendix I of this Official Statement.

For the Fiscal Year ended June 30, 2007, the State Treasurer failed to 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, 2008. The annual report was filed on March 25, 2008.

For the Fiscal Year ended June 30, 2008, the State Treasurer failed to 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 report for the Fiscal Year ended June 30, 2009, due March 15, 2010, was filed on March 15, 2010. The annual report for the Fiscal Year ended June 30, 2010, due March 15, 2011, was filed on February 1, 2011. The annual report for the Fiscal Year ended June 30, 2011, due March 15, 2012, was filed on February 10, 2012.

The annual report for the Fiscal Year ended June 30, 2012, due March 15, 2013, was filed on February 12, 2013.

UNDERWRITING

_______________ submitted the successful bid at the public sale of the Bonds on April 23, 2013 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 $____________ 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

APPENDIX I

FINANCIAL AND OTHER INFORMATION RELATING TO THE STATE OF NEW JERSEY

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APPENDIX I

DATED MARCH 27, 2013

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 September 11, 2012 and supplements thereto. The principal changes reflected in this Appendix I are the updates of information to reflect adjustments to the Fiscal Year 2013 Appropriations Act, the introduction of the Governor's Fiscal Year 2014 Budget Message and certain financial and other activity which occurred during Fiscal Year 2013. The State intends to further update or supplement the information contained in this Appendix I upon 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 current and next succeeding 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. 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, 2012, including Management's Discussion and Analysis (the "2012 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 2012 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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* 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 estimated to be 8,864,590 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. A number of Fortune Magazine's top 500 companies maintain headquarters or major facilities in New Jersey, and many foreign-owned firms have located facilities in the State.

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. There has been a significant shift from the northeastern industrial areas toward the coastal counties of Atlantic, Ocean and Monmouth, and toward the central New Jersey counties of Hunterdon, Somerset and Middlesex.

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

SELECTED INFORMATION RELATING TO NEW JERSEY'S ECONOMIC CONDITION

According to information released by the New Jersey Department of Labor and Workforce Development on March 18, 2013, payroll employment in 2012 averaged 1.3% higher than in 2011, which was the largest percentage gain since 2000. The 2012 increase in payroll employment in the State was 0.3 percentage points less than the national increase in payroll employment. The State's increase ranked thirty-first among the fifty states, and third for the eleven states (the Northeast States plus Maryland and Delaware) lying north of the Potomac River.

The State's level of payroll employment as of January 2013 was 3.935 million, which was 1.5% (+58,300) higher than the level of payroll employment as of January 2012. During the twelve month period ending in January 2013, jobs were created in professional and business services (+18,100), trade, transportation and utilities (+14,000), education and health (+13,200 jobs), the public sector (+7,200), leisure and hospitality services (+2,400), and manufacturing (+700), while jobs were lost in information services (-2,300) and construction (-1,200).

The State's unemployment rate rose over the past year, increasing from 9.2% in January 2012 to 9.5% in January 2013. Employment gains by residents of the State have been more than offset by increases in the State's workforce. The State's labor force increased 1.8% from January 2012 to January 2013, substantially higher than the national gain of 0.8%. The increase in the State's workforce may reflect the improved job situation in the State, as previously discouraged persons start or resume actively seeking employment.

According to the United States Commerce Department, Bureau of Economic Analysis, in a release dated March 27, 2013, personal income for State residents rose 4.2% over the twelve month period ending in the fourth quarter of 2012. This increase in personal income was smaller than the 4.9% increase reported for the nation as a whole over the same period. Personal income earned by New Jersey residents in the fourth quarter was noticeably boosted by large payments of dividends and bonus payments disbursed to finance industry workers. According to the February 2013 New Jersey economic forecasts from IHS Global Insight and Moody's Economy.com, growth in personal income for New Jersey residents is expected to continue through 2013 and 2014 at rates higher than those seen over the course of 2012.

New Jersey's housing sector has started to recover, though levels of activity remain low. Nearly 18,000 permits were granted in 2012. While this is a low number by historic standards, it represented a very large increase of approximately 39% from 2011. The New Jersey Association of Realtors reports that home resales in the State in 2012 were 11.7% higher than in 2011. Growth in housing activity is anticipated to continue, as reduced prices, low mortgage rates, and higher rental costs have increased the attractiveness of homeownership. However, the significant number of foreclosed properties in the market will temper the recovery in the housing sector.

The auto sector has continued to improve, with new motor vehicle sales rising 8.7% in 2012 to their highest level since 2008.

Super Storm Sandy made landfall in New Jersey on October 29, 2012, resulting in widespread power outages and a temporary cessation in normal business activity throughout much of the State. The United States Commerce Department, Bureau of Economic Analysis, reported on January 31, 2013, that Super Storm Sandy is estimated to have resulted in $44.4 billion in damage to public and private property in the affected areas of the nation; other reports suggest that the overwhelming majority of this damage was in New York and New Jersey. This estimate does not include damage to personal possessions, any incremental cost of rebuilding, immediate losses to businesses from interruptions to activity, or costs incurred in the course of cleanup and restoration of activity. The United States Commerce Department, Bureau of Economic Analysis, in its March 27, 2013 personal income release, also estimates that interruptions to activity caused by Super Storm Sandy depressed wages paid in New Jersey in the fourth quarter of 2012 by 0.7%, or approximately $400 million (aggregate wages paid in the State for all of 2012 amounted to $227.4 billion). Immediate losses in sectors such as retailing appear to have been largely if not totally recovered, and it is anticipated that rebuilding activity will largely offset any longer-term negative economic impacts. It is clear, however, that Super Storm Sandy will have a significant long-term effect on individual regions and industries in the State, most notably those along the Jersey Shore.

Economic conditions in New Jersey and the nation have continued to improve from the low levels reached in the 2008-2009 recession. This improvement has been manifested in the expansion of consumer and capital spending, and has resulted in increased employment. More recently, the housing market has started to improve. 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, ongoing problems in European economies have led to a renewed recession in continental Europe and have created risks for U.S. exporters, financial markets and institutions. Recent cuts in federal spending, and hikes in federal taxes, along with continuing conflict over federal tax and spending policy have not only drained some spending power but have also likely elevated household and business uncertainty, further inhibiting economic expansion. Finally, tensions with Iran have the potential to boost energy prices and dampen household spending power.

The March 2013 projections of the Federal Reserve System's Federal Open Market Committee members and participants anticipate national economic growth over the course of 2013 and 2014 to gradually improve relative to the rates of growth seen in 2012. New Jersey's economy is expected to expand in 2013 and 2014 at a rate approximately in line with national trends, with employment levels projected to continue to rise, and unemployment to move down gradually, though the unemployment rate is anticipated to remain above the national average, in reflection of the strong rebound in the size of the State's workforce. 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. Recent statements of the Federal Open Market Committee noting that most members and participants will not start to contemplate increases in interest rates until the national unemployment rate falls under 6½%, unless inflation rates are substantially higher than currently anticipated, reinforce the Federal Reserve's commitment to supporting national economic growth.

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 nation.

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 System" herein; for the application of the budget process for Fiscal Years 2013 and 2014, 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

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.

New Jersey's Accounting System

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, 2012," and the notes referred to therein (the "2012 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 2012 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 2012 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. The statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The government-wide financial statements include the Statement of Net Assets and the Statement of Activities. The Statement of Net Assets presents all of the State's assets and liabilities and calculates net assets. Increases or decreases in the State's net assets over time may serve as a useful indicator as to whether or not the State's overall financial position is improving or deteriorating. The Statement of Activities presents how the State's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event occurs giving rise to the change, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods. This statement also presents a comparison between direct expenses and program revenues for each State function.

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. A fund is a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Most Direct State Services, which support the normal operations of State government, are financed through governmental funds. 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, the Property Tax Relief Fund, the Special Revenue Funds, and the Capital Projects Funds. 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.

The General Fund is the fund into which all State revenues, not otherwise restricted by statute, are deposited and from which appropriations are made. The largest part of the total financial operations of the State is accounted for in the General Fund. Revenues received from taxes and unrestricted by statute, most federal revenue and certain miscellaneous revenue items are recorded in the General Fund. 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.

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 both of which are constitutionally dedicated toward property tax relief and reform, respectively. All receipts from taxes levied 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.

A special account designated as the "Property Tax Reform Account" was created in the Property Tax Relief Fund pursuant to an amendment to Article VIII, Section 1, para. 7 of the State Constitution approved by the voters on November 7, 2006. The amendment provides that there shall be annually credited from the General Fund and placed in the Property Tax Reform Account an amount equal to the annual revenue derived from a tax rate of 0.5% imposed under the "Sales and Use Tax Act," L. 1966, c. 30 (C.54:32B-1 et seq.), as amended and supplemented, or any other subsequent law of similar effect. The State Constitution provides that the State Legislature shall annually appropriate such amount exclusively for the purpose of property tax reform.

Special Revenue Funds are used to account for resources legally restricted to expenditure for specified purposes. Special Revenue Funds include the Casino Control Fund, the Casino Revenue Fund and the Gubernatorial Elections Fund. Certain financial information with respect to these funds is included herein.

Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major State capital facilities.

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 twelve State colleges and universities including their foundations and associations.

New Jersey's Budget and Appropriation System

The State operates on a fiscal year beginning July 1 and ending June 30. For example, "Fiscal Year 2013" refers to the State's fiscal year beginning July 1, 2012 and ending June 30, 2013.

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. 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.

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. 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. The funding plans and strategies are the foundations for revenue and spending decisions that are ultimately incorporated into the Governor's Budget Message, as discussed below.

The New Jersey Statutes contain provisions concerning the budget and appropriation system. 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. The Budget Director may hold hearings, open to the public, during the months of October, November and December and review the budget requests with the agency heads. 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. It is then the responsibility of the Governor to examine and consider all requests and formulate his or her budget recommendations.

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 2014 was delivered on February 26, 2013 (the "Governor's Fiscal Year 2014 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). 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. 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. In addition to anticipated revenues, the annual 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-31.

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. 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.

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 the one case where this occurred, for Fiscal Year 2007, the Governor declared a state of emergency and mandated the orderly shutdown of State government, other than services and functions of State government directly related to the preservation and protection of human life and safety, the protection of property, the adoption of the annual Appropriations Act and such functions of the Judicial Branch as determined by the Chief Justice of the New Jersey Supreme Court. The State Treasurer and the Budget Director were authorized to obligate funds for such essential services. The Division of Lottery ceased selling tickets, parks and beaches were closed, and casinos, which by law could not operate without State regulators, were shutdown. An amendment to Section 63 of L. 1977, c. 110 (N.J.S.A. 5:12-63) was enacted on June 27, 2008, and provides for the ability of casinos and racetracks to operate for seven calendar days during a state of emergency, including a shutdown of State government for failure to enact the Appropriations Act, despite the absence of State regulators. If a shutdown occurs, 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 "STATE FINANCES — New Jersey's Budget and Appropriation System" and "OBLIGATIONS SUPPORTED BY STATE REVENUE SUBJECT TO ANNUAL APPROPRIATION" herein.

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 2012 CAFR, including the opinion of the State Auditor, has been separately filed with the MSRB and 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, 2010 through 2014, 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 2010 through 2012 are actual and final. Amounts shown for Fiscal Year 2013 are based upon revised estimates for revenues and appropriations contained in the Governor's Fiscal Year 2014 Budget Message, which includes enacted and anticipated supplemental appropriations and expected lapses for Fiscal Year 2013. Amounts shown for Fiscal Year 2014 are estimates as contained in the Governor's Fiscal Year 2014 Budget Message.

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 annual Appropriations Act also provide 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 and "SUMMARY OF REVENUES, APPROPRIATIONS AND UNDESIGNATED FUND BALANCES — BUDGETED STATE FUNDS" herein.

SUMMARY OF REVENUES, APPROPRIATIONS AND UNDESIGNATED FUND BALANCES — BUDGETED STATE FUNDS(1)

($ Millions)

	2014 Estimated	2013 Estimated	2012 Actual	2011 Actual	2010 Actual
July 1st Beginning Balances					
General Fund	$ 373.8	$ 441.4	$ 864.1	$ 794.2	$ 614.2
Property Tax Relief Fund	—	2.4	5.8	10.0	—
Gubernatorial Elections Fund	—	1.0	0.5	—	—
Casino Control Fund	1.5	1.8	2.8	—	(0.4)
Casino Revenue Fund	—	—	—	—	—
Total Beginning Balances	375.3	446.6	873.2	804.2	613.8
Anticipated Revenue					
General Fund	18,703.8	18,207.9	17,043.6	17,098.4	16,601.5
Property Tax Relief Fund(2)	13,652.0	12,827.7	11,751.7	11,233.7	10,917.8
Gubernatorial Elections Fund	0.7	0.7	0.5	0.5	0.4
Casino Control Fund	53.8	55.1	51.4	60.8	64.1
Casino Revenue Fund	435.7	235.3	239.3	266.2	296.1
Total Revenues	32,846.0	31,326.7	29,086.5	28,659.6	27,879.9
Total Resources	33,221.3	31,773.3	29,959.7	29,463.8	28,493.7
Other Adjustments					
General Fund					
Balances lapsed(3)	—	351.6	626.6	708.3	1,040.4
From (To) reserved fund balance	—	—	18.2		—
From (To) Property Tax Relief Fund	—	1,046.6	(266.8)	(336.5)	(285.3)
Budget vs GAAP Adjustment	—	—	78.1	(9.6)	53.2
From (To) Casino Revenue Fund	—	—	(5.0)	(3.4)	(38.3)
From (To) Gubernatorial Elections Fund	(9.3)	(4.5)	—	—	(9.0)
Corporation Business Tax - 4% Dedication	—	—	—	4.8	(3.2)
Property Tax Relief Fund					
Balances lapsed(3)	—	417.8	89.3	143.9	63.5
From (To) General Fund	—	(1,046.5)	266.8	336.5	285.3
Budget vs GAAP Adjustment	—	—	—	0.2	(8.2)
Gubernatorial Elections Fund					
From (To) General Fund	9.3	4.5	—	—	9.0
Budget vs GAAP Adjustment	—	—	—	—	(0.6)
Casino Control Fund					
Balances lapsed(3)	—	—	3.5	6.8	8.8
Budget vs GAAP Adjustment	—	(0.1)	—	1.9	(1.9)
Casino Revenue Fund					
From (To) General Fund	—	—	5.0	3.4	38.3
Balances lapsed(3)	—	—	3.8	0.2	1.0
Budget vs GAAP Adjustment	—	—	—	0.1	—
Total Other Adjustments	—	769.4	819.5	856.6	1,153.0
Total Available	33,221.3	32,542.7	30,779.2	30,320.4	29,646.7
Appropriations					
General Fund	18,768.3	19,669.2	17,917.4	17,392.1	17,179.3
Property Tax Relief Fund	13,652.0	12,201.4	12,111.2	11,718.5	11,248.4
Gubernatorial Elections Fund	10.0	6.2	—	—	8.8
Casino Control Fund	55.3	55.3	55.9	66.7	70.6
Casino Revenue Fund	435.7	235.3	248.1	269.9	335.4
Total Appropriations	32,921.3	32,167.4	30,332.6	29,447.2	28,842.5
June 30th Ending Balances					
General Fund	300.0	373.8	441.4	864.1	794.2
Property Tax Relief Fund	—	—	2.4	5.8	10.0
Gubernatorial Elections Fund	—	—	1.0	0.5	—
Casino Control Fund	—	1.5	1.8	2.8	—
Casino Revenue Fund	—	—	—	—	—
Total Ending Balances(4)	$ 300.0	$ 375.3	$ 446.6	$ 873.2	$ 804.2

Notes:

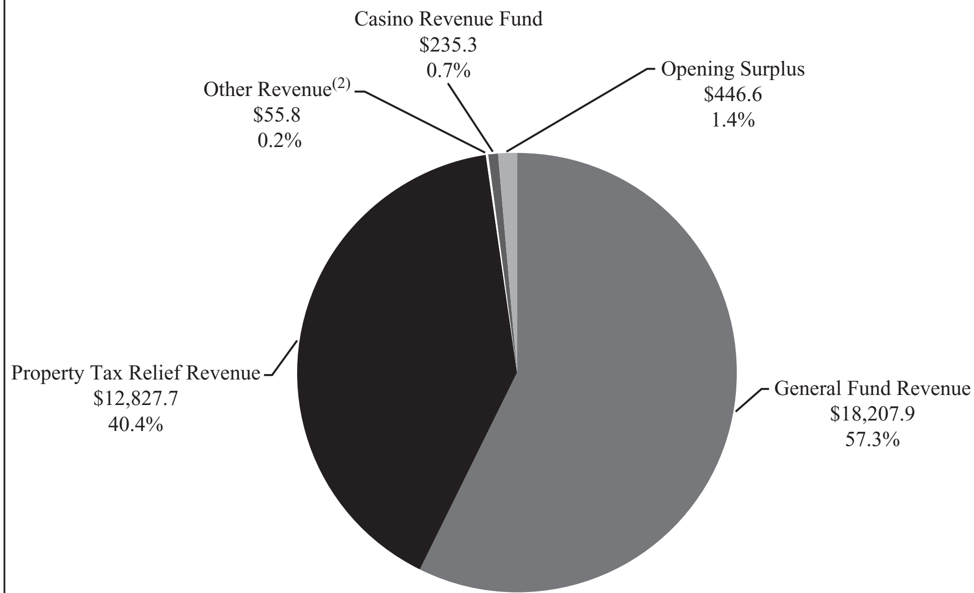
(1) The Surplus Revenue Fund and the Long Term Obligation and Capital Expenditure Fund previously included in this table have been excluded since no amounts have been available in such funds since 2009.

(2) The "Property Tax Reform Account" was created in the Property Tax Relief Fund pursuant to an amendment to Article VIII, Section 1, Paragraph 7 of the State Constitution. Approved by the voters in 2006, the amendment provides that there shall be annually credited from the General Fund and placed in the Property Tax Reform Account an amount equal to the annual revenue derived from a tax rate of 0.5% imposed under the Sales and Use Tax Act. The State Constitution provides that the State Legislature shall annually appropriate such amount exclusively for the purpose of property tax reform.

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

(4) The ending undesignated fund balances for Fiscal Years 2013 and 2014 may be reduced as a result of additional spending and/or reduction in anticipated revenues. See "FINANCIAL RESULTS AND ESTIMATES – Appropriations" herein.

Fiscal Year 2013 Adjusted Resources by Fund[1]
($ Millions)

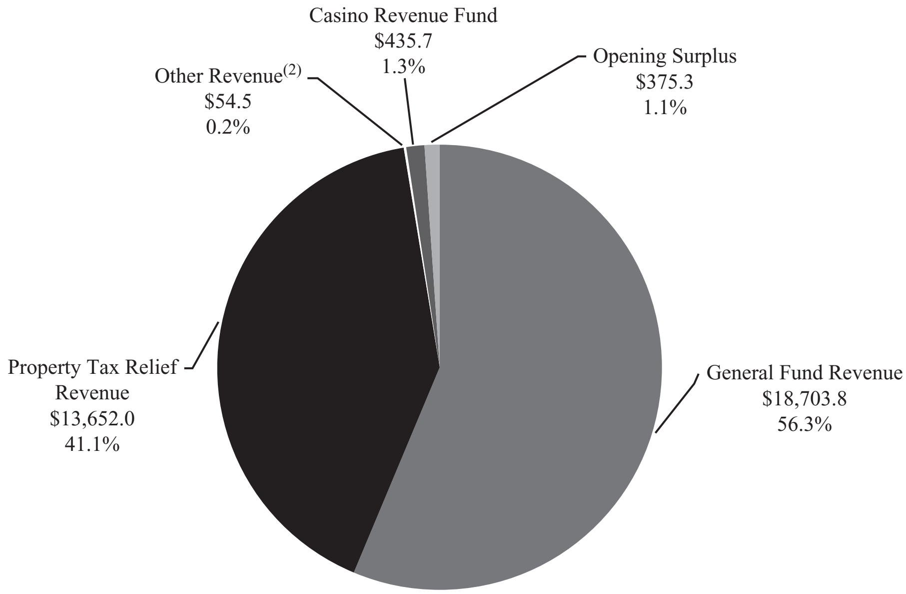


Total - $31,773.3

(1) Fiscal Year 2013 Adjusted Resources represent the total amount of revenues for Fiscal Year 2013, as set forth in the Governor's Fiscal Year 2014 Budget Message, plus the total amount of undesignated budgeted fund balances as of July 1, 2012.

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

Fiscal Year 2014 Anticipated Resources by Fund(1)
($ Millions)



Total - $33,221.3

(1) Fiscal Year 2014 Anticipated Resources represent the total amount of estimated revenues for Fiscal Year 2014, as set forth in the Governor's Fiscal Year 2014 Budget Message, plus the total amount of estimated 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, 2010 through 2012, and estimated revenues for Fiscal Years 2013 and 2014 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 Years 2013 and 2014 estimates are as presented in the Governor's Fiscal Year 2014 Budget Message.

REVENUES
($ Millions)

	2014 Estimated	2013 Estimated	2012 Actual	2011 Actual	2010 Actual
General Fund:					
Sales and Use Tax	$ 8,606.0	$ 8,216.0	$ 7,935.8	$ 7,765.1	$ 7,523.2
Less: Property Tax Dedication	(664.0)	(636.0)	(603.8)	(598.4)	(576.6)
Net Sales and Use Tax	7,942.0	7,580.0	7,332.0	7,166.7	6,946.6
Motor Fuels Tax	556.0	545.0	539.7	524.2	535.3
Corporation Taxes	2,388.0	2,232.0	2,032.4	2,226.9	1,998.7
Motor Vehicle Fees	433.0	466.4	463.9	407.8	378.6
Cigarette Tax	237.0	263.0	288.4	227.2	204.9
Other Major Taxes	2,636.9	2,420.4	1,974.3	2,221.4	2,215.5
Medicaid Uncompensated Care	399.2	422.5	430.2	499.6	514.8
Other Miscellaneous Taxes, Fees and Revenues	2,373.3	2,415.2	2,125.8	2,133.5	2,033.4
Lottery Funds	1,020.0	1,095.0	950.1	930.0	924.0
Tobacco Litigation Settlement(1)	53.3	53.3	82.5	53.9	56.9
Other Transfers	665.1	715.1	824.3	707.2	792.8
Total General Fund(2)	18,703.8	18,207.9	17,043.6	17,098.4	16,601.5
Property Tax Relief Fund:					
Gross Income Tax	12,969.0	12,173.0	11,128.4	10,617.0	10,322.9
Plus: Property Tax Dedication	683.0	654.7	623.3	616.7	594.9
Gross Property Tax Relief Fund	13,652.0	12,827.7	11,751.7	11,233.7	10,917.8
Gubernatorial Elections Fund	0.7	0.7	0.5	0.5	0.4
Casino Control Fund	53.8	55.1	51.4	60.8	64.1
Casino Revenue Fund	435.7	235.3	239.3	266.2	296.1
Total	$32,846.0	$31,326.7	$29,086.5	$28,659.6	$27,879.9

(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") expected to be received by the State after December 1, 2003 from the settlement of the litigation with the participating tobacco companies. The Corporation has pledged 76.26% of the TSRs as security for its bonds. In January 2007, the Corporation issued $3,622,208,081.50 of its Tobacco Settlement Asset-Backed Bonds, Series 2007-1, the proceeds of which were used to refund in full, the prior Series 2002 and Series 2003 Tobacco Settlement Asset-Backed Bonds. The remaining 23.74% of the TSRs (the "Unpledged TSRs") are not pledged to the bonds and are payable to the State. Fiscal Year 2009, 2010, and 2011 actual payments and Fiscal Year 2012 and 2013 estimated payments received or to be received by the State reflect Unpledged TSRs.

In each of the years 2006 through and including 2012 certain of the tobacco companies withheld a portion of their annual payment (approximately $30 million of a scheduled approximate $242 million annual payment in 2006, approximately $27 million of a scheduled approximate $261 million annual payment in 2007, approximately $22 million of a scheduled approximate $284 million annual payment in 2008, approximately $21 million of a scheduled approximate $287 million annual payment in 2009, approximately $27 million of a scheduled approximate $266 million annual payment in 2010, approximately $35 million of a scheduled approximate $261 million annual payment in 2011, and approximately $32 million of a scheduled approximate $263 million payment in 2012) primarily based on claims that the settling states, of which the State is one, did not diligently enforce a statute (the "Model Statute"), 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 year three years prior to the date of payment (e.g. the 2006 withholding was related to enforcement efforts in calendar year 2003). On April 18, 2006, the State filed suit against the participating tobacco companies seeking a declaratory judgment that the State is diligently enforcing the Model Statute. On September 27, 2007, the court ordered the parties to arbitrate the 2003 diligent enforcement action dispute, which ruling was upheld on appeal. A multi-state arbitration of the 2003 diligent enforcement action dispute began in July 2010 when a three-member panel was appointed and is on-going. On November 5, 2012, the tobacco companies announced they are no longer claiming that the State did not diligently enforce its Model Statute in 2003. As a result, when the multi-state arbitration is finally concluded, the Corporation will be receiving $30 million withheld in 2006, unless the settlement discussed below is confirmed. Moreover, the tobacco companies have given the states notice that they will be seeking arbitration of diligent enforcement disputes for the years 2004 through 2011.

On December 14, 2012, the State joined eighteen other states in a settlement of disputes. Under the terms of the settlement, the State would be subject to a Non-Participating Manufacturers ("NPM") Adjustment for the years 2004 through 2012 of approximately $130 million dollars and the tobacco companies would be forgiving claims of approximately $170 million. Because much of the disputed amounts were withheld by the tobacco companies or were paid into a disputed payments escrow account, the settlement will result in a net payment to New Jersey of approximately $40 million accomplished through payments to the State in April 2013 and credits to the Participating Manufacturers on their Master Settlement Agreement payments from 2013 through 2017. The settlement was challenged by other states ("Objecting States") before the arbitration panel. On March 12, 2013, the arbitration panel entered a Stipulated Partial Settlement and Award that would implement the settlement. Some of the Objecting States have indicated that they may attempt to take action to prevent the implementation of the settlement. If a challenge to the settlement is successful, the parties could return to the status prior to the settlement, which will require continuing arbitrations of the NPM Adjustment disputes. Presently, disputes for 2004 through 2011 are ripe for arbitration.

(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 Ending Balance.

REVENUES
(% of Total)

	2014 Estimated	2013 Estimated	2012 Actual	2011 Actual	2010 Actual
General Fund:					
Sales and Use Tax	26.2%	26.2%	27.3%	27.1%	27.0%
Less: Property Tax Dedication	(2.0)	(2.0)	(2.1)	(2.1)	(2.1)
Net Sales and Use Tax	24.2	24.2	25.2	25.0	24.9
Motor Fuels Tax	1.7	1.7	1.9	1.8	2.0
Corporation Taxes	7.3	7.1	7.1	7.9	7.2
Motor Vehicle Fees	1.3	1.5	1.6	1.4	1.4
Cigarette Tax	0.7	0.8	1.0	0.8	0.7
Other Major Taxes	8.0	7.7	6.8	7.8	8.0
Medicaid Uncompensated Care	1.2	1.3	1.5	1.7	1.8
Other Miscellaneous Taxes, Fees and Revenues	7.2	7.7	7.3	7.4	7.3
Lottery Funds	3.1	3.5	3.3	3.2	3.3
Tobacco Litigation Settlement	0.2	0.2	0.3	0.2	0.2
Other Transfers	2.0	2.3	2.8	2.5	2.8
Total General Fund	56.9	58.0	58.8	59.7	59.6
Property Tax Relief Fund:					
Gross Income Tax	39.5	39.0	38.1	37.0	37.0
Plus: Property Tax Dedication	2.1	2.1	2.1	2.2	2.1
Gross Property Tax Relief Fund	41.6	41.1	40.2	39.2	39.1
Gubernatorial Elections Fund	—	—	—	—	—
Casino Control Fund	0.2	0.2	0.2	0.2	0.2
Casino Revenue Fund	1.3	0.7	0.8	0.9	1.1
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Fiscal Year 2013 and Fiscal Year 2014 Estimated Resources

Sales and Use Tax — The Sales and Use Tax collections for Fiscal Year 2013 are estimated to increase 3.6% from Fiscal Year 2012. The Sales and Use Tax collections for Fiscal Year 2014 are estimated to increase 4.9% from Fiscal Year 2013. This growth in Sales and Use Tax collections primarily reflects ongoing growth in consumer spending as employment and incomes recover, but also reflects revenues stemming from purchases of products connected to the ongoing recovery from Super Storm Sandy as well as from the turnaround in homebuilding. Furthermore, it is also anticipated that there will be a step-up in the level of collections resulting from Amazon.com, Inc.'s agreement to begin collecting Sales and Use Tax on residents' purchases beginning July 1, 2013.

Gross Income Tax — The Gross Income Tax collections for Fiscal Year 2013 are estimated to increase 9.4% from Fiscal Year 2012. The Gross Income Tax collections for Fiscal Year 2014 are estimated to increase 6.5% from Fiscal Year 2013. Fiscal Year 2013 collections are anticipated to be elevated by payments of calendar year 2012 liabilities on the realizations of dividend and capital gains in late 2012 in advance of the January 1, 2013 increase in federal tax rates for high income individuals. The increase in Gross Income Tax collections since Fiscal Year 2010 reflects not only the general recovery in household income, but also the pronounced increases in Gross Income Tax payments from individuals in higher income groups. New Jersey's progressive income tax structure makes the State's Gross Income Tax collections sensitive to losses and gains at higher income levels.

Corporation Business Tax — The Corporation Business Tax collections for Fiscal Year 2013 are estimated to increase 9.8% from Fiscal Year 2012. However, the Fiscal Year 2013 estimate in the Governor's Fiscal Year 2014 Budget Message was revised downward by $334 million or 13% below the Fiscal Year 2013 Appropriations Act estimate of $2.566 billion. The Corporation Business Tax collections for Fiscal Year 2014 are estimated to increase 7.0% from Fiscal Year 2013. Corporate tax collections have been sluggish in recent years, despite the broad recovery in reported earnings, possibly in part due to the continuing carry forward of losses experienced during the national economic recession. The projected Fiscal Year 2014 increase in Corporation Business Tax collections assumes that the underlying strength in corporate earnings will start to show through in Corporation Business Tax collections, though the increase is tempered by the impact of the 2011 business tax reforms and redemptions of previously awarded tax credits.

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 2013 are estimated to decrease 1.7% from Fiscal Year 2012. Collections for Fiscal Year 2014 are estimated to increase 85.2% from Fiscal Year 2013. The Fiscal Year 2014 estimate incorporates expectations of a turnaround in the casino industry, but most of the anticipated rebound in revenues reflects the introduction of Internet gaming.

Other Resources — The utilization of non-recurring resources totals approximately $1.1 billion and represents approximately 3% of Fiscal Year 2014 recommended appropriations, a considerable reduction from the 13% that supported Fiscal Year 2010 appropriations. Non-recurring revenue resources include a transfer of $152 million from the Clean Energy Fund into the General Fund, $100 million in legal settlements and $77 million in business tax revenues which are anticipated to be collected in Fiscal Year 2014 but which, as a result of previously enacted business tax reductions, will not be collected in future years. Lastly, the $1.1 billion in non-recurring resources includes $272 million of debt restructuring/defeasance savings and $324 million of funding from the New Jersey Turnpike Authority that is being utilized to offset State appropriations to New Jersey Transit.

Potential Impacts on Fiscal Year 2013 and Fiscal Year 2014 Revenues

State revenue collections for Fiscal Year 2013 are expected to be lower by $406 million than the original Fiscal Year 2013 estimate made at the time of the enactment of the Fiscal Year 2013 Appropriations Act. In addition, as part of the Fiscal Year 2013 Appropriations Act, $200 million from municipal affordable housing trust funds was anticipated to be transferred to the New Jersey Affordable Housing Trust Fund and ultimately the State General Fund. Since that time, the anticipation has been revised to $166 million. Litigation continues over the statutorily-mandated transfer by municipalities of those municipal trust fund monies that the municipality failed to commit to expend within four years of the date of collection. The State is vigorously defending these matters, but it is possible that the anticipated revenue will not be realized during Fiscal Year 2013. Finally, a pending State Lottery contract for management services is anticipated to bring in a one-time payment of $120 million.

The Governor's Fiscal Year 2014 Budget Message anticipates a $200 million increase in casino revenues. This estimate does not include any potential revenue from sports betting. It is anticipated that there will be modest ($20 million) growth in "base" casino revenues in Fiscal Year 2014, reflecting a revival of activity at the areas of the Jersey Shore in the Atlantic City region and the effect of new marketing efforts for Atlantic City. The remainder of the anticipated increase reflects the introduction of Internet gaming, which is expected to be underway early in the fiscal year. Given the relative novelty of Internet gaming, the projected amount and timing of these revenues is subject to some uncertainty. Upon a comprehensive review of ongoing affirmative litigation, the State expects to recover $100 million through the settlement of various claims and lawsuits including environmental matters, debt recovery, consumer fraud and other types of affirmative litigation during Fiscal Year 2014. The specific terms and conditions of these anticipated settlements remain confidential until finalized. This amount is an estimate and may not reflect the actual amount obtained in the settlements, if and when completed.

If continued unabated, the sequester of federal funds would have a direct impact on State revenues of up to $25 million for Fiscal Years 2013 and 2014. Currently, the State cannot estimate the impact of potential macroeconomic repercussions resulting from the federal sequester. The Governor's Fiscal Year 2014 Budget Message includes a $3 million recommended appropriation as a contingency to deal with any unexpected impacts of the sequester.

Federal Aid

Actual federal aid receipts in the General Fund and Special Transportation Fund for Fiscal Years 2010 through 2012, which are non-budgeted revenues, amounted to $12,364.8 million, $11,195.3 million and $10,665.0 million, respectively. Federal receipts in the General Fund and the Special Transportation Fund for Fiscal Years 2013 and 2014 as contained in the Governor's Fiscal Year 2014 Budget Message are estimated to be $11,757.0 million and $13,208.7 million, respectively. Such federal aid receipts for Fiscal Year 2014 are composed of $5,456.3 million for medical payments, $48.2 million for social services block grants, $850.3 million for welfare, $2,043.6 million for other human services, $833.9 million for Title I and other education, $493.5 million for labor, $1,237.0 million for transportation, and the remainder for all other federal aid programs.

The Disaster Relief Appropriations Act of 2013 ("Federal Relief Act"), which was signed into law on January 29, 2013, provides approximately $50.38 billion to assist states impacted by Super Storm Sandy and other federally declared disasters. The money is allocated primarily among eight (8) federal agencies. Many of these federal agencies have not yet announced the programmatic details or the allocations among the impacted states. However, on February 6, 2013, the U.S. Department of Housing and Urban Development ("HUD") announced a first tranche of these funds and stated that of the approximately $16 billion in Community Development Block Grant Disaster Relief funding, New Jersey will receive approximately $1.83 billion. The State has submitted a proposed Action Plan to HUD outlining how the State proposes to utilize these grant monies. Local or State matching is not required for this program.

Other funds from the Federal Relief Act will be spent directly by federal agencies on projects that will benefit the State and its residents. The State continues to work closely with local communities, stakeholders and the federal government to identify local needs and priorities for rebuilding and to ensure that all available resources are used appropriately and efficiently in the rebuilding effort.

Appropriations

Appropriations–Fiscal Year 2010 through Fiscal Year 2014

The following table sets forth the composition of annual appropriations, including supplemental appropriations and de-appropriations (except for Fiscal Years 2013 and 2014) in Fiscal Years 2010 through 2014, 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 2010 through 2012 are actual and final. The amounts for Fiscal Year 2013 and Fiscal Year 2014 reflect the amounts shown in the Governor's Fiscal Year 2014 Budget Message.

The State has made appropriations for principal and interest payments for general obligation bonds for Fiscal Years 2010 through 2013 in the amounts of $261.1 million, $204.7 million, $276.9 million and $411.9 million, respectively. These amounts reflect reductions in required debt service achieved through the restructuring of debt service. The Governor's Fiscal Year 2014 Budget Message includes a recommended appropriation in the amount of $343.9 million for Fiscal Year 2014, representing principal and interest payments for general obligation bonds. This recommendation reflects the anticipated savings from utilizing available, uncommitted amounts held in general obligation bond funds and from normal reductions in scheduled payments for existing general obligation bond debt service.

The Governor's Fiscal Year 2014 Budget Message also recommends $2,646.4 million for debt service on obligations supported by State revenue subject to annual appropriation. The total Fiscal Year 2014 general obligation bonds and obligations supported by State revenue subject to annual appropriation debt service appropriations is $2,990.3 million or approximately 9.1% of total State recommended appropriations for Fiscal Year 2014. Such recommended appropriations offset prior-year reductions resulting from the restructuring of debt service, take into account projected increases in debt service due to planned future issuances of bonds and notes, make use of available uncommitted amounts and residual project balances held in general obligation bond funds, and are net of projected debt service savings due to planned debt restructurings of obligations supported by State revenue subject to annual appropriation as assumed in the Governor's Fiscal Year 2014 Budget Message.

In Fiscal Year 2014, $1,675.7 million is recommended to make pension contributions to the defined benefit pension plans for State ($570.0 million), PreK-12 education ($986.0 million), local government ($74.0 million), and higher education ($45.7 million) employees, whose benefits are funded by the State. The Fiscal Year 2014 payment is the largest pension contribution in State history and represents an increase of $646.4 million over the Fiscal Year 2013 appropriation of $1,029.3 million.

The Governor's Fiscal Year 2014 Budget Message includes anticipated total savings of $234 million due to an increase in employee health contributions. This amount represents an additional savings of $84.4 million from the prior year. The 2011 pension and health benefits reform (L.2011, c.78) ("Chapter 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 2014, the third year of the phase-in, those percentages will range from 2.3% to 26.3%.

The Governor's Fiscal Year 2014 Budget Message recommends $8,574.0 million in PreK-12 formula aid, an increase of $110.8 million from Fiscal Year 2013. This level of funding includes aid to support school districts based on population and actual students served with various modifications to the statutory base funding formula. Two new formula aid categories are included that provide aid to districts that have experienced rapid enrollment growth and aid to districts that are spending significantly below the State-defined adequacy level. Additional aid is recommended to ensure that no district receives less total K-12 formula aid than in Fiscal Year 2013.

The New Jersey Medical and Health Sciences Education Restructuring Act (L.2012, c.45) ("Restructuring Act") establishes University Hospital in Newark as an instrumentality of the State and further provides that State funding provided to University Hospital shall be sufficient to maintain the level of community services provided on the effective date of the Restructuring Act and to maintain University Hospital as an acute care facility and trauma center. In addition, the State will assist University Hospital, to the extent possible consistent with applicable law, in the refinancing of the portion of University of Medicine and Dentistry debt attributable to University Hospital. Because the fiscal impact of these requirements, if any, was not known at the time of its submission, the Governor's Fiscal Year 2014 Budget Message includes a general provision to provide additional sums as may be needed to University Hospital to maintain its core operating functions.

The State's reliance on non-recurring resources continues to decline in Fiscal Year 2014, representing only 3% of the Budget compared to 13% in Fiscal Year 2010. Of the $ 1.1 billion of non-recurring resources, $77 million is due to the continued phase in of business tax reductions begun in Fiscal Year 2012. Another $289 million reflects revenue initiatives, including a $152 million transfer from the Clean Energy Fund to the General Fund and $100 million in expected legal settlements. The remainder of the non-recurring resources allows offsets to appropriations in the amount of $620 million. Two items comprise the bulk of these appropriation offsets: debt restructuring/defeasance savings of $272 million and the utilization of $324 million of resources from the New Jersey Turnpike Authority to offset appropriations for New Jersey Transit and maintenance costs. The latter resource had originally been intended to provide pay-as-you-go capital funding under the original New Jersey Transportation Capital Plan. Due to the availability of approximately $250 million in bond premium, proposed changes to the categorical allocations of project spending between federal and State sources, and the prioritization of federally funded projects, the change in planned application of the Turnpike resource from the Fiscal Year 2014 Transportation Capital Plan will not trigger borrowing beyond that originally contemplated under the New Jersey Transportation Capital Plan.

Potential Changes in Fiscal Year 2013 Ending Fund Balance

The Fiscal Year 2013 projected ending fund balance is $375.3 million, substantially less than the $648.1 million ending fund balance anticipated in the Fiscal Year 2013 Appropriations Act. The Governor's Fiscal Year 2014 Budget Message assumes that supplemental funding of $512 million will be required during Fiscal Year 2013. The largest single component of supplemental funding is $222 million for increased costs of the Medicaid and FamilyCare programs, based on a combination of factors including the delayed approval of the Medicaid Comprehensive Waiver, diminished anticipated savings from anti-fraud activities and a one-time federal claim adjustment. These increased costs also reflect expenditure trends of certain medical services exceeding expectations, and a reduction to the federal match rate on certain FamilyCare participants. Other supplemental needs include $61 million for the employee Social Security Tax account, $35 million for State health benefit projected costs exceeding resources, $30 million for snow removal and various other adjustments.

While the impact of Super Storm Sandy has not had an appreciably negative impact on the State finances, the Governor's Fiscal Year 2014 Budget Message anticipates a Fiscal Year 2013 supplemental appropriation of $40 million for contingencies related to Super Storm Sandy. These funds would be utilized for State costs not covered by federal funds. It is expected that any unspent portions would carry over into Fiscal Year 2014. The State is still evaluating the utilization of these funds because the assessment of needs is still ongoing.

To support these projected supplemental needs, $769 million of lapses have been identified. Homestead Benefits originally scheduled to be paid during Fiscal Year 2013 will be deferred until August 2013, during Fiscal Year 2014. This will save $392 million in Fiscal Year 2013. There will only be one payment of Homestead Benefits made during Fiscal Year 2014. Another significant lapse is $110 million from the debt service account for Transportation Trust Fund Authority bonds. Two thirds of this amount is the result of a later debt issuance as well as a planned refunding while the remainder reflects savings from the federal Build America Bonds subsidy. The balance of lapses will come from numerous other accounts, primarily due to under-spending related to changes in trend assumptions, program delays and managing costs.

Appropriations of Federal Aid

The Governor's Fiscal 2014 Budget Message implements the health care expansion of the federal Patient Protection and Affordable Care Act ("PPACA"). This will expand Medicaid coverage by an estimated 104,000 individuals effective January 1, 2014. 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. It is estimated that this will reduce the State's Fiscal Year 2014 costs by $227.4 million. At the same time, however, PPACA will increase State costs in other areas. For example, the individual mandate and associated tax penalties may encourage additional enrollment in the regular Medicaid program, which will maintain its 50/50 State/federal cost share. It is estimated that this possibility and other facets of PPACA will increase State Medicaid costs by $42.3 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 Govenor's Fiscal Year 2014 Budget Message. The State reserves the right to file a State Plan Amendment to withdraw from the program expansion.

In addition, Medicaid disallowances may be issued in federal Fiscal Year 2013 or 2014 (which ends September 30, 2014) 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. A total of fifteen audits totaling approximately $343.1 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 $46.5 million in federal revenues to offset these potential disallowances. See also "LITIGATION – *Medicaid, Tort, Contract, Workers' Compensation and Other Claims*".

The Medicaid Comprehensive Waiver (the "Waiver") received final federal approval in October 2012. Under the Waiver, New Jersey will expand managed care programs to include managed long-term services and supports, and to expand home and community-based services. Additionally, the Waiver combines several existing waiver programs under a single demonstration program and establishes a new hospital funding pool to promote health delivery system transformation.

The Governor's Fiscal Year 2014 Budget Message assumes federal approval of a new method of reimbursing hospitals currently receiving $167 million from the Hospital Relief Subsidy Fund. The Govenor's Fiscal Year 2014 Budget Message anticipates $83.3 million in federal Medicaid matching funds to support hospital payments from a Delivery System Reform Incentive Payments (DSRIP) pool. Federal approval of this new funding mechanism, which replaces the Hospital Relief Subsidy Fund, is pending with CMS.

On January 2, 2013, the U.S. Congress adopted the American Taxpayer Relief Act of 2012 which continued federal funding of the Emergency Unemployment Compensation (EUC) program through calendar 2013. If the program is not continued beyond then, there could be an increase in the State's welfare caseloads. Preliminary projections suggest the expiration of EUC could cost the State's Temporary Assistance to Needy Families (TANF) program less than $5 million in Fiscal Year 2014.

Also ongoing is the effort to evaluate the impact of the federal Budget Control Act of 2011. However, it is believed that most reductions in federal fiscal year 2013 federal funds will not have a material impact on the State or any State department programs. Some of the programs affected include: the Low Income Home Energy Assistance program; WIC – Supplemental Feeding Program; UI state Administration Base Allocation; Emergency Unemployment Benefits; Rehabilitation Services – Basic State Grant; Ryan White – HIV/AIDS Part A and Part B. Other reductions will affect local governments and school districts and are not anticipated to impact State finances. The Governor's Fiscal Year 2014 Budget Message includes $3 million of contingency funding for flexibility to deal with any critical impacts of the federal sequester.

State Unemployment Insurance Trust Fund

In Fiscal Year 2012, 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 $2.6 billion in regular, annual State unemployment benefits (excluding benefits paid entirely by the federal government) on a cash basis. In Fiscal Year 2013, contributions from employers and workers are expected to approximate $2.8 billion, while regular State unemployment benefits will approximate $2.5 billion. In Fiscal Year 2014, contributions from employers and workers are expected to approximate $3.0 billion, while regular State unemployment benefits will approximate $2.4 billion. As of February 28, 2013, the State has borrowed $1.0 billion from the U.S. Department of Labor for cash advances to provide funding for unemployment insurance benefits. The State expects to fully repay these federal loans during Fiscal Year 2014. Repayments of these advances are solely the obligation of the Trust Fund and are not obligations of the State's General Fund.

Under current law, the unemployment tax rate imposed on 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. Because the Trust Fund is considered in deficit until the federal loans are repaid, such statutory formula provides for an increase in the employer tax rate. Subsequent legislation limited increases in employer taxes in Fiscal Year 2011, Fiscal Year 2012, and Fiscal Year 2013 to less than that called for by such statutory formula. No change in the employee rate has occurred.

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

	For the Fiscal Year Ended June 30,				
	2014 Recommended	2013 Estimated(2)	2012 Actual	2011 Actual	2010 Actual
General Fund:					
Legislative Branch	$ 76.1	$ 76.7	$ 73.7	$ 75.6	$ 74.8
Chief Executive's Office	6.0	6.0	5.7	4.5	4.7
Department of:					
Agriculture	19.6	19.6	19.6	19.4	22.5
Banking and Insurance	63.4	63.4	63.0	59.7	67.5
Children and Families	1,049.9	1,063.7	1,058.4	1,045.9	1,066.4
Community Affairs	174.1	196.8	59.5	64.1	261.2
Corrections	1,084.5	1,084.9	1,090.4	1,080.7	1,147.1
Education	304.7	937.1	223.2	555.6	664.5
Environmental Protection	349.7	360.9	334.2	348.8	379.8
Health	350.4	364.3	1,222.3	1,213.3	1,067.9
Human Services	5,952.5	6,334.8	5,215.0	4,514.0	4,404.4
Labor and Workforce Development	157.1	157.6	154.5	156.7	144.8
Law and Public Safety	512.4	513.6	509.8	503.1	530.4
Military and Veterans Affairs	94.1	94.3	94.0	90.8	90.9
Public Advocate(3)	—	—	—	—	16.5
State	1,190.4	1,176.8	1,148.8	1,159.6	1,261.7
Transportation	1,278.5	1,242.9	1,311.5	1,252.8	1,277.2
Treasury	1,370.0	1,409.6	1,223.6	1,145.4	1,180.0
Miscellaneous Executive Commissions	0.8	1.0	1.0	1.3	1.5
Inter-Departmental Accounts — Employee Benefits and Miscellaneous	4,056.6	3,892.2	3,445.7	3,444.5	2,874.1
Judicial Branch	677.5	673.0	663.5	656.3	641.4
Total General Fund	$18,768.3	$19,669.2	$17,917.4	$17,392.1	$17,179.3
Property Tax Relief Fund:					
Department of:					
Community Affairs	$ 575.9	$ 560.1	$ 686.0	$ 669.6	$ 819.7
Education	12,161.1	10,850.9	10,407.5	10,298.3	8,954.9
Environmental Protection	—	—	—	—	10.0
Human Services	130.1	—	160.3	165.5	—
Treasury	784.9	790.4	857.4	585.1	1,463.8
Total Property Tax Relief Fund	$13,652.0	$12,201.4	$12,111.2	$11,718.5	$11,248.4
Gubernatorial Elections Fund					
Department of:					
Law and Public Safety	$ 10.0	$ 6.2	$ —	$ —	$ 8.8
Total Gubernatorial Elections Fund	$ 10.0	$ 6.2	$ —	$ —	$ 8.8
Casino Control Fund					
Department of:					
Law and Public Safety	$ 46.7	$ 46.7	$ 46.8	$ 42.3	$ 44.0
Treasury	8.6	8.6	9.1	24.4	26.6
Total Casino Control Fund	$ 55.3	$ 55.3	$ 55.9	$ 66.7	$ 70.6
Casino Revenue Fund					
Department of:					
Health	$ 0.5	$ 0.5	$ 90.3	$ 108.0	$ 172.4
Human Services	412.6	207.9	130.4	130.5	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	20.3	24.6	25.1	29.1	30.2
Total Casino Revenue Fund	$ 435.7	$ 235.3	$ 248.1	$ 269.9	$ 335.4
Total Appropriations	$32,921.3	$32,167.4	$30,332.6	$29,447.2	$28,842.5

(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.

(3) Pursuant to L. 2010, c. 34, the Department of the Public Advocate was abolished as a department of the Executive Branch of State government, effective June 30, 2010.

The following tables set forth appropriations by department and by major category for Fiscal Year 2014 and 2013.

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

Government Branch	Direct State Services	Grants-In-Aid	State Aid	Capital Construction	Debt Service	Total
Chief Executive	$ 6.0	$ —	$ —	$ —	$ —	$ 6.0
Agriculture	7.2	6.8	5.6	—	—	19.6
Banking and Insurance	63.4	—	—	—	—	63.4
Children and Families	268.0	781.9	—	—	—	1,049.9
Community Affairs	38.4	35.6	676.0	—	—	750.0
Corrections	959.1	104.9	20.5	—	—	1,084.5
Education	67.9	10.4	12,387.5	—	—	12,465.8
Environmental Protection	211.0	20.3	8.8	88.1	21.5	349.7
Health	45.5	305.4	—	—	—	350.9
Human Services	627.7	5,366.4	501.1	—	—	6,495.2
Labor and Workforce Development	92.4	66.9	—	—	—	159.3
Law and Public Safety	542.4	26.8	—	—	—	569.2
Military and Veterans' Affairs	91.5	2.6	—	—	—	94.1
State	28.1	1,147.3	15.0		—	1,190.4
Transportation	44.7	73.2	20.4	1,160.5	—	1,298.8
Treasury	456.9	949.6	434.6	—	322.4	2,163.5
Miscellaneous Commissions	0.8	—	—	—	—	0.8
Interdepartmental	2,834.5	1,077.8	—	144.3	—	4,056.6
Subtotal	6,385.5	9,975.9	14,069.5	1,392.9	343.9	32,167.7
Legislature	76.1	—	—	—	—	76.1
Judiciary	677.5	—	—	—	—	677.5
Grand Total	$7,139.1	$9,975.9	$14,069.5	$1,392.9	$343.9	$32,921.3

(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 recommended appropriations are as contained in the Governor's Fiscal Year 2014 Budget Message.

ADJUSTED APPROPRIATIONS FOR BUDGETED STATE FUNDS(1)
FOR THE FISCAL YEAR ENDING JUNE 30, 2013
($ MILLIONS)

Government Branch	Direct State Services	Grants In-Aid	State Aid	Capital Construction	Debt Service	Total
Chief Executive	$ 6.0	$ —	$ —	$ —	$ —	$ 6.0
Agriculture	7.2	6.8	5.6	—	—	19.6
Banking and Insurance	63.4	—	—	—	—	63.4
Children and Families	268.1	795.6	—	—	—	1,063.7
Community Affairs	38.2	38.1	680.6	—	—	756.9
Corrections	957.8	106.6	20.5	—	—	1,084.9
Education	67.6	3.4	11,717.0	—	—	11,788.0
Environmental Protection	213.8	21.2	8.8	97.8	19.3	360.9
Health	44.1	320.7	—	—	—	364.8
Human Services	643.5	5,374.1	525.1	—	—	6,542.7
Labor and Workforce Development	92.8	67.0	—	—	—	159.8
Law and Public Safety	543.2	23.4	—	—	—	566.6
Military and Veterans' Affairs	91.6	2.7	—	—	—	94.3
State	28.1	1,133.7	15.0	—	—	1,176.8
Transportation	75.2	73.2	24.6	1,094.5	—	1,267.5
Treasury	454.0	953.1	408.9	—	392.6	2,208.6
Miscellaneous Commissions	1.0	—	—	—	—	1.0
Interdepartmental	2,638.6	1,062.3	—	191.3	—	3,892.2
Subtotal	6,234.2	9,981.9	13,406.1	1,383.6	411.9	31,417.7
Legislature	76.7	—	—	—	—	76.7
Judiciary	673.0	—	—	—	—	673.0
Grand Total	$6,983.9	$9,981.9	$13,406.1	$1,383.6	$411.9	$32,167.4

(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. Lapses in appropriations are not included. See "SUMMARY OF REVENUES, APPROPRIATIONS AND UNDESIGNATED FUND BALANCES — BUDGETED STATE FUNDS" herein.

The following table sets forth, by major category, the original, enacted and anticipated supplemental appropriations for Fiscal Year 2013 and the recommended appropriations for Fiscal Year 2014 as contained in the Governor's Fiscal Year 2014 Budget Message.

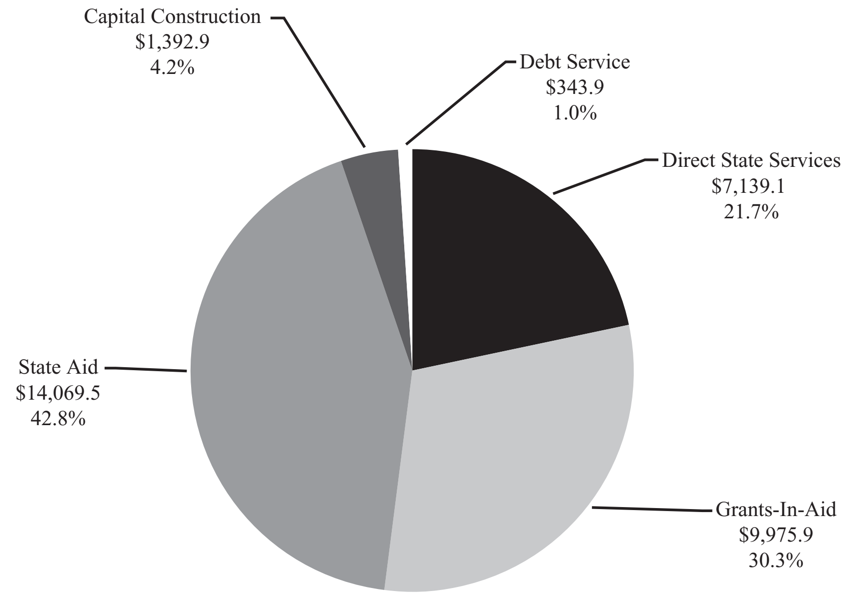
SUMMARY OF APPROPRIATIONS
($ Millions)

	Fiscal Year 2014	Fiscal Year 2013(1)	Dollar Change	Percentage Change
State Aid	$14,069.5	$13,406.1	$663.4	4.9%
Grants-in-Aid	9,975.9	9,981.9	(6.0)	(0.1)
Direct State Services	7,139.1	6,983.9	155.2	2.2
Capital Construction	1,392.9	1,383.6	9.3	0.7
Debt Service	343.9	411.9	(68.0)	(16.5)
	$32,921.3	$32,167.4	$753.9	2.3%

(1) Adjusted appropriations for Fiscal Year 2013 are as contained in the Governor's Fiscal Year 2014 Budget Message and reflect enacted and anticipated supplemental appropriations. Lapses in appropriations are not reflected in the table above. See "SUMMARY OF REVENUES, APPROPRIATIONS AND UNDESIGNATED FUND BALANCES – BUDGETED STATE FUNDS" herein.

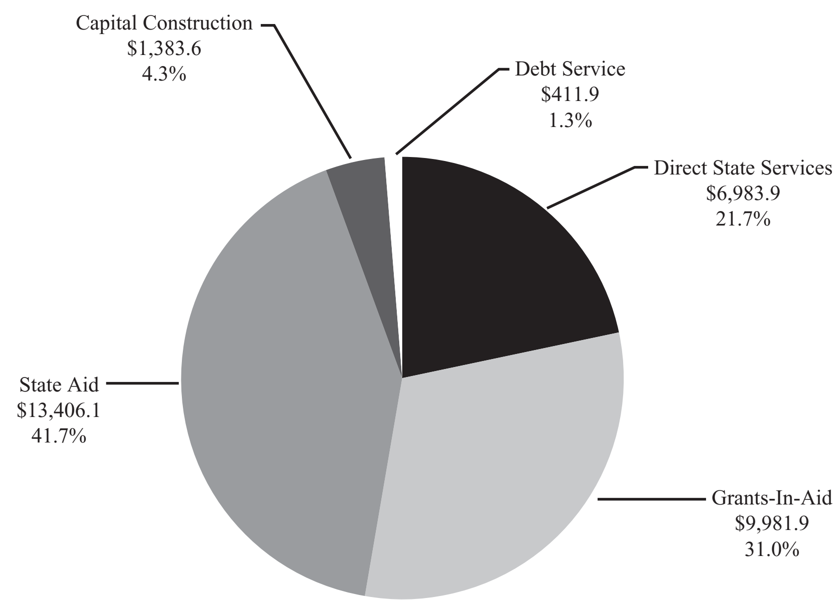
Of the total Fiscal Year 2014 recommended increase in appropriations of $753.9 million, the majority, $663.4 million, is reflected in State Aid. This 4.9% increase in State Aid is predominantly attributable to increases in aid to education programs, including related debt service and pensions and health benefits, offset by reductions to income maintenance programs as costs trend downward. The 16.5% reduction in Debt Service in Fiscal Year 2014 is primarily due to normal reductions in scheduled payments for existing obligations.

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



Total - $32,921.3

Fiscal Year 2013 Adjusted Appropriations by Use
($ in Millions)



Total - $32,167.4

Programs Funded Under Recommended Appropriations in Fiscal Year 2014

Of the $32,921.3 million recommended for Fiscal Year 2014 from the General Fund, the Property Tax Relief Fund, the Casino Control Fund, the Casino Revenue Fund and the Gubernatorial Elections Fund, $14,069.5 million (42.8%) is recommended for State Aid, $9,975.9 million (30.3%) is recommended for Grants-in-Aid, $7,139.1 million (21.7%) is recommended for Direct State Services, $1,392.9 million (4.2%) is recommended for Capital Construction and $343.9 million (1.0%) is recommended 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 2014 recommended 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.

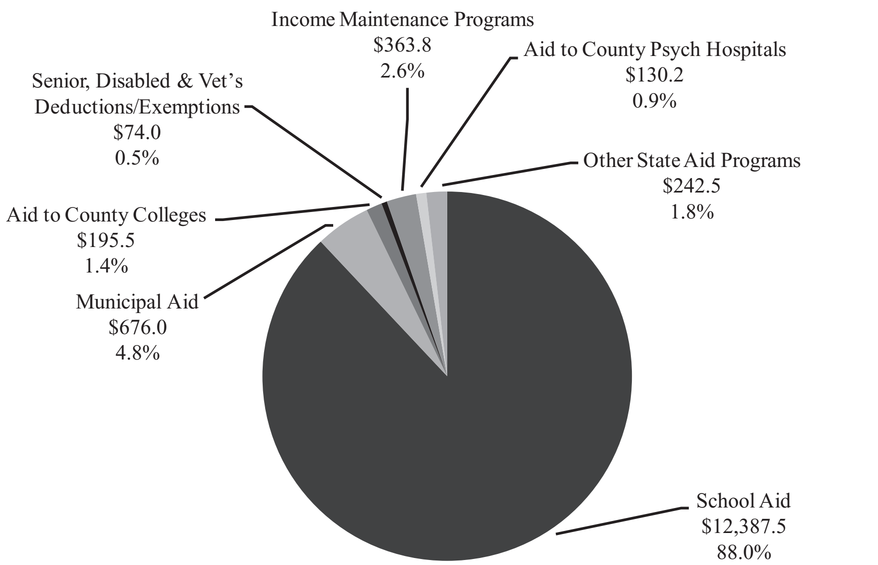
The largest State Aid recommended appropriation, in the amount of $12,387.5 million, is recommended for local preschool, elementary and secondary education programs. Of this amount, $8,574.0 million in formula aid for PreK-12 education, including School Choice Aid, will be distributed. This level of funding includes aid to support school districts based on population and actual students served with various improvements to the base funding formula. Two new formula aid categories are included that provide aid to districts that have experienced rapid enrollment growth and aid to districts that are spending significantly below the State-defined adequacy level. Additional aid is recommended to ensure that no district receives less total K-12 formula aid than in Fiscal Year 2013. In addition to formula aid for PreK-12 education, $522.5 million is recommended for debt service on School Construction Bonds issued by the New Jersey Economic Development Authority, $67.4 million is recommended in School Building Aid to school districts, and $57.4 million is recommended for School Construction Debt Service Aid to school districts. Also, $2,896.4 million is recommended 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.

Recommended appropriations to the Department of Community Affairs total $676.0 million in State Aid for Fiscal Year 2014. Consolidated Municipal Property Tax Relief Aid is recommended in the amount of $575.9 million. These recommended appropriations also include $94.5 million for the Transitional Aid to Localities program. Under this program, aid is awarded through a competitive process and requires recipient municipalities to submit to additional State oversight, with the goal of reducing reliance on this aid in the future.

Recommended appropriations for the Department of Human Services total $501.1 million in State Aid for Fiscal Year 2014. The principal programs funded by these recommended appropriations are $363.8 million for various income maintenance programs for the economically disadvantaged and $130.2 million for patients in county psychiatric hospitals.

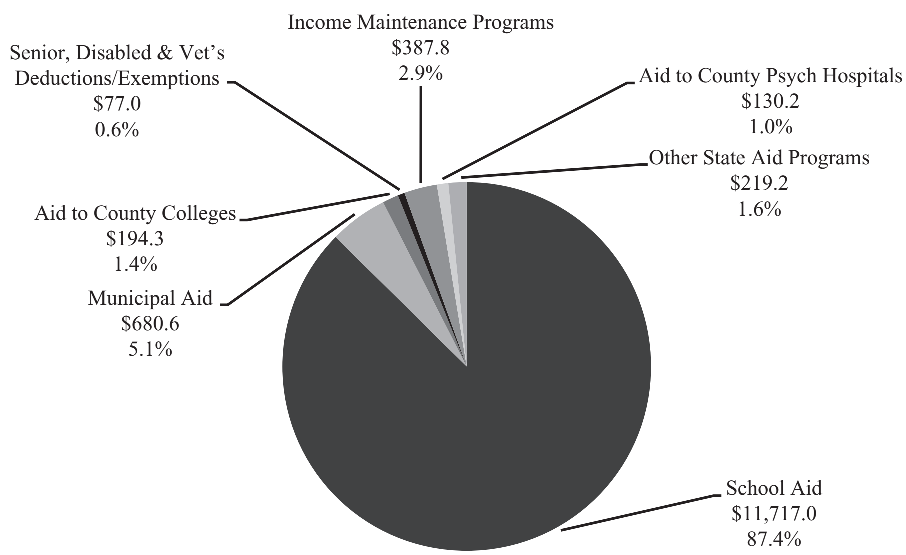
Recommended appropriations for the Department of the Treasury total $434.6 million in State Aid for Fiscal Year 2014. The principal programs funded by these recommended appropriations are aid to county colleges ($195.5 million) and the cost of property tax deductions for seniors, citizens with disabilities, and veterans ($74.0 million).

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



Total - $14,069.5

Fiscal Year 2013 State Aid Adjusted Appropriations
($ in Millions)



Total - $13,406.1

Grants-in-Aid

The second largest portion of the recommended appropriations in Fiscal Year 2014 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 recommended in Fiscal Year 2014 for Grants-in-Aid is $9,975.9 million.

$5,366.4 million is recommended for programs administered by the Department of Human Services. Of that amount, $3,880.9 million is for medical services provided under the Medicaid program (excluding FamilyCare), $600.7 million is for community programs for the developmentally disabled, $371.7 million is for community programs for the mentally ill, $172.2 million is for health insurance for adults and children through the FamilyCare program, $157.5 million is for assistance programs for the economically disadvantaged and homeless, $75.5 million is for Pharmaceutical Assistance to the Aged and Disabled, $45.6 is for other programs for the aged, and $34.9 million is for addiction services.

$949.6 million is recommended for the Department of the Treasury. Included in this amount is $400.5 million for the Fiscal Year 2014 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. The Homestead Benefits originally scheduled to be paid during Fiscal Year 2013 will be deferred until Fiscal Year 2014. The Fiscal Year 2014 program will only provide one benefit payment, which will be for the benefits deferred from Fiscal Year 2013. Also included in the recommended appropriation is $214.2 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 2014 will be the third consecutive year of the current program, following a one-year freeze on enrollment and benefit levels in Fiscal Year 2011. The recommended appropriation for the Department of the Treasury also includes $175.0 million for Business Employment Incentive Program grants, and $63.8 million for energy assistance programs in the Board of Public Utilities.

$781.9 million is recommended for programs administered by the Department of Children and Families. Of that amount, $424.7 million is for child protective and permanency services, $296.1 million is for children's system of care services, and $61.1 million is for community programs intended to prevent child abuse and neglect.

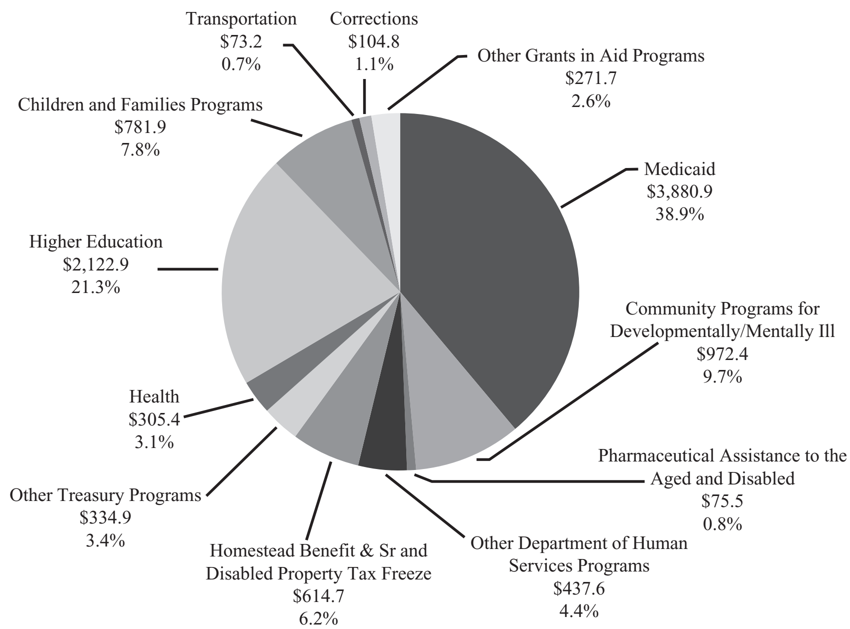
$718.7 million is recommended for State colleges and universities. Other higher education recommended appropriations are $459.5 million for various grant programs including $405.1 million for student financial assistance, $43.9 million for debt service on the Higher Education Capital Improvement Program, and $6.5 million for debt service for the Dormitory Safety Trust Fund. In addition, $944.7 million is recommended for fringe benefit costs of State college and university employees.

$305.4 million is recommended for programs administered by the Department of Health. Of that amount, $134.6 million is for Health Care Systems Analysis, $86.0 million is for the Early Childhood Intervention Program, $33.3 million is for Public Health Protection Services, and $21.7 million is for AIDS services.

$104.9 million is recommended for the Department of Corrections (including the State Parole Board), consisting of $64.7 million for the purchase of community services, $36.1 million for alternative parole programs and $4.1 million for payments to county penal facilities to house State inmates.

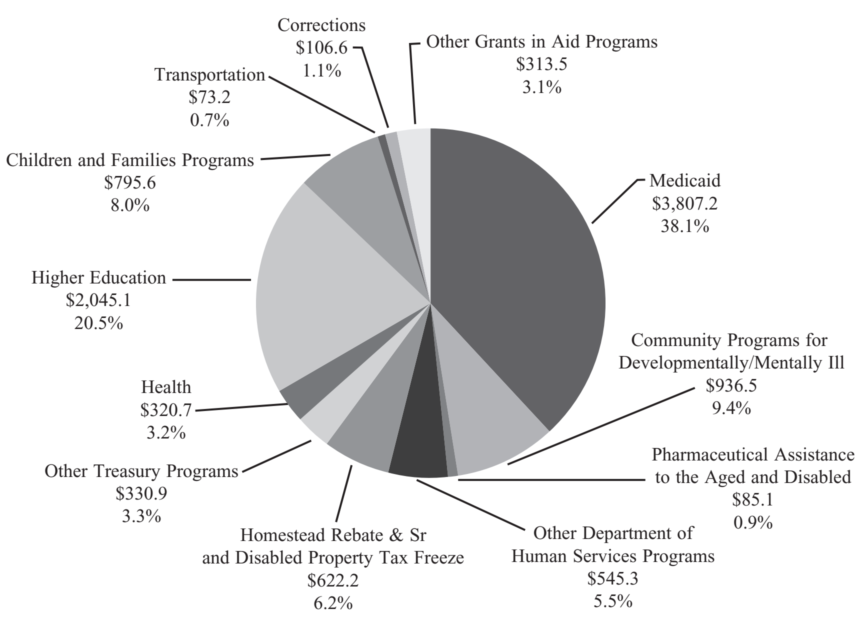
$73.2 million is recommended for the Department of Transportation for bus and railroad subsidies.

Fiscal Year 2014 Grants-in-Aid Recommended Appropriations
($ in Millions)



Total - $9,975.9

Fiscal Year 2013 Grants-in-Aid Adjusted Appropriations
($ in Millions)



Total - $9,981.9

Direct State Services

The third largest portion of the recommended appropriations in Fiscal Year 2014 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 2014, recommended appropriations for Direct State Services aggregate to $7,139.1 million. Some of the major recommended appropriations for Direct State Services during Fiscal Year 2014 are described below.

$2,477.7 million is recommended in the Interdepartmental Accounts for fringe benefits for active and retired State employees, including health benefits ($1,346.1 million), pensions and non-contributory insurance ($613.2 million), employer taxes ($393.5 million), and a portion of the debt service on State Pension Funding bonds ($124.9 million) issued by the New Jersey Economic Development Authority. In addition, $54.9 million is recommended for Fiscal Year 2014 to fund across-the-board (ATB) salary increases and contractual employee increments for eligible employees. The Governor's Fiscal Year 2014 Budget Message funds a 1% ATB increase for most civilian employees. Civilian contracts also include a one-time $450 bonus, not added to base salary, for employees ineligible for step increments. Ratified agreements do not provide any other salary increases in Fiscal Year 2014. For more information, see "STATE EMPLOYEES – Contract Status" herein.

$959.1 million is recommended for the Department of Corrections (including the State Parole Board) and $542.4 million is recommended for the Department of Law and Public Safety (including the Juvenile Justice Commission). Among programs funded by these recommended appropriations are the administration of the State's correctional facilities and parole activities, and the investigative and enforcement activities of the State Police.

$627.7 million is recommended for programs administered by the Department of Human Services. Of that amount, $494.7 million is recommended for mental health and developmentally disabled programs, including the operation of four psychiatric institutions ($279.2 million), and seven developmental centers ($159.0 million); $36.2 million is recommended for administration of the various income maintenance programs, including Work First New Jersey; and $36.0 million is recommended for administration of the Medicaid program.

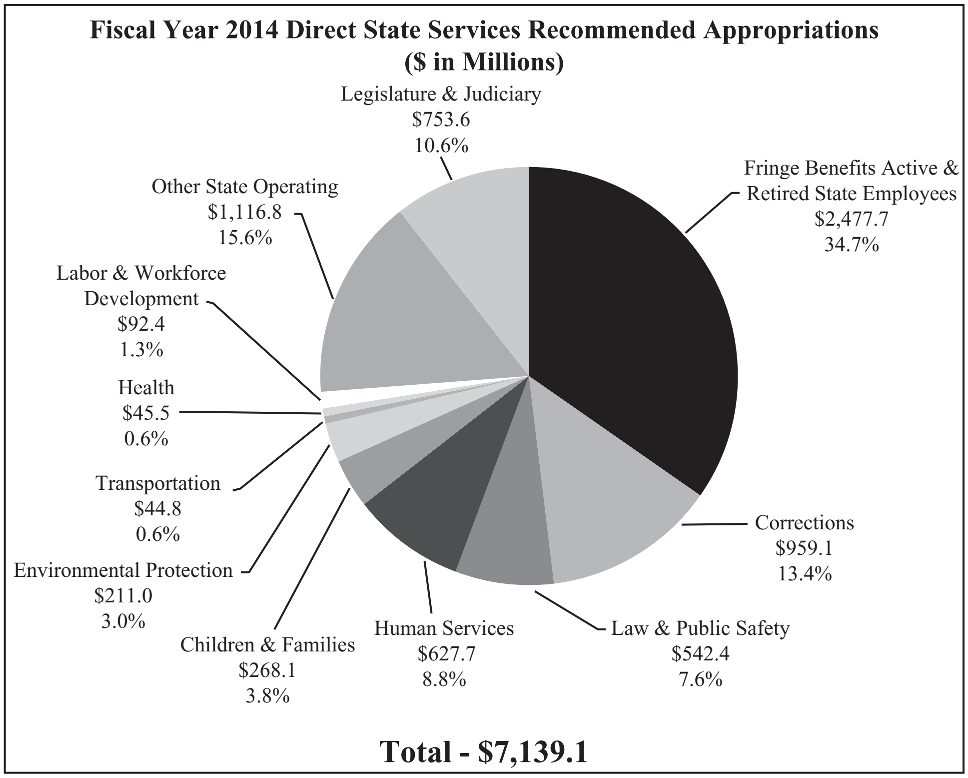
$268.0 million is recommended for programs administered by the Department of Children and Families for various children's services programs.

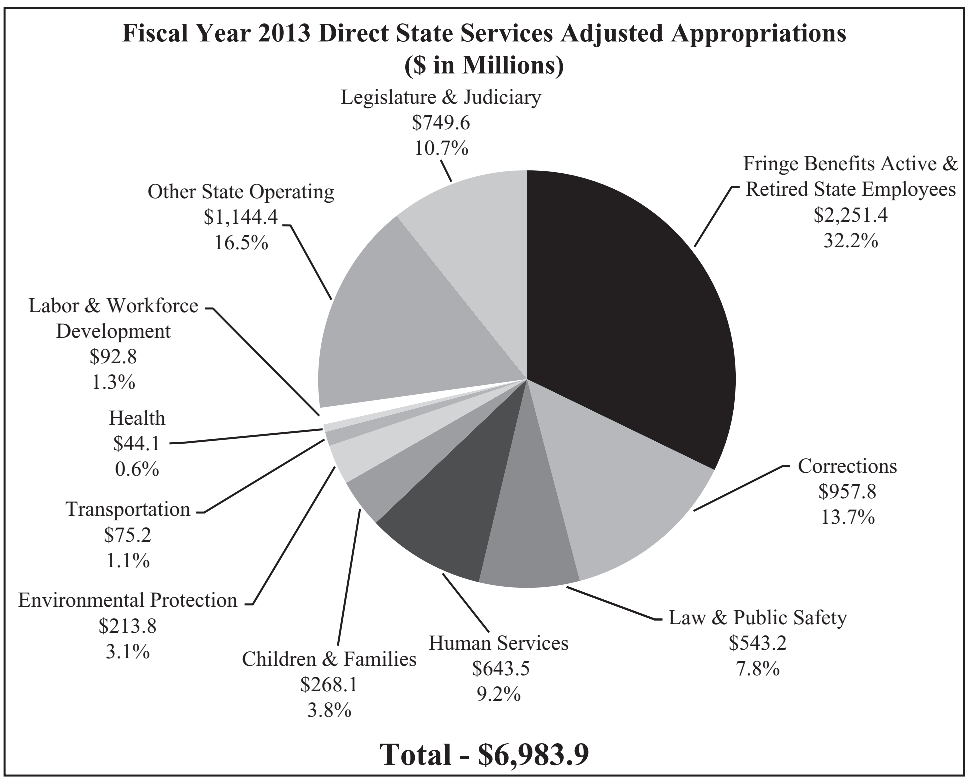
$211.0 million is recommended for the Department of Environmental Protection for the protection of air, land, water, forest, wildlife and shellfish resources and for the provision of outdoor recreational facilities.

$92.4 million is recommended 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.

$44.7 million is recommended 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.

$45.5 million is recommended for the Department of Health for the prevention and treatment of diseases, regulation of health care facilities and the uncompensated care program.


Fiscal Year 2014 Direct State Services Recommended Appropriations
($ in Millions)
Legislature & Judiciary
$753.6
10.6%
Fringe Benefits Active & Retired State Employees
$2,477.7
34.7%
Other State Operating
$1,116.8
15.6%
Labor & Workforce Development
$92.4
1.3%
Health
$45.5
0.6%
Transportation
$44.8
0.6%
Environmental Protection
$211.0
3.0%
Children & Families
$268.1
3.8%
Human Services
$627.7
8.8%
Law & Public Safety
$542.4
7.6%
Corrections
$959.1
13.4%
Total - $7,139.1


Fiscal Year 2013 Direct State Services Adjusted Appropriations
($ in Millions)
Legislature & Judiciary
$749.6
10.7%
Fringe Benefits Active & Retired State Employees
$2,251.4
32.2%
Other State Operating
$1,144.4
16.5%
Labor & Workforce Development
$92.8
1.3%
Health
$44.1
0.6%
Transportation
$75.2
1.1%
Environmental Protection
$213.8
3.1%
Children & Families
$268.1
3.8%
Human Services
$643.5
9.2%
Law & Public Safety
$543.2
7.8%
Corrections
$957.8
13.7%
Total - $6,983.9

Capital Construction

Capital Construction is funded by a combination of "pay-as-you-go" appropriations and bond proceeds. The Governor's Fiscal Year 2014 Budget Message includes recommended appropriations of $1,392.9 million for capital construction pay-as-you-go and debt service on bonds issued to fund capital construction. This amount includes $1,160.5 million for transportation debt service, which is being 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 $36.6 million is for debt service on New Jersey Building Authority bonds. Pay-as-you-go appropriations include $40.6 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 $10.0 million for statewide life safety and emergency projects.

All recommended 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 2014, requests for Capital Construction funding were substantially greater than the amount recommended by the Commission. The recommended appropriations for Capital Construction contained in the Governor's Fiscal Year 2014 Budget Message 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, 2012, see "OUTSTANDING BONDED INDEBTEDNESS OF THE STATE" herein. The recommended appropriation for debt service on the State's general obligation bonds is $343.9 million for Fiscal Year 2014. This assumes the application of available, uncommitted amounts and residual project balances held in general obligation bond funds and available bond premium from the sale of general obligation bonds in December 2009 to pay a portion of the debt service costs on general obligation 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 System". The table on the following page displays the expenditures for Fiscal Years 2010 through 2012.

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		
	2012	2011	2010
General Fund:			
Legislative Branch	$ 78.4	$ 77.9	$ 77.7
Chief Executive's Office	7.3	6.8	6.1
Department of:			
Agriculture	402.0	382.6	349.6
Banking and Insurance	60.7	60.3	62.7
Children and Families	1,519.7	1,529.8	1,482.5
Community Affairs	554.6	678.1	818.6
Corrections	1,143.3	1,180.5	1,270.1
Education	1,191.2	1,845.6	2,827.7
Environmental Protection	508.9	467.0	524.2
Health	3,266.7	3,322.3	3,302.6
Human Services	11,184.7	10,851.0	10,773.4
Labor and Workforce Development	798.7	818.2	775.6
Law and Public Safety	1,136.0	1,078.8	1,013.2
Military and Veterans' Affairs	135.5	134.8	143.4
Public Advocate	—	—	16.6
State	1,189.7	1,192.6	1,378.2
Transportation	1,834.2	1,588.7	1,643.9
Treasury	2,760.7	2,568.3	2,683.6
Miscellaneous Executive Commissions	1.0	1.3	1.5
Interdepartmental Accounts	3,324.1	3,271.8	2,997.6
Judicial Branch	817.2	799.4	765.8
Total General Fund	$31,914.6	$31,855.8	$32,914.6
Property Tax Relief Fund:			
Department of:			
Community Affairs	$ 424.7	$ 428.8	$ 572.1
Education	10,791.0	9,638.5	8,873.6
Environmental Protection	—	—	9.8
Human Services	160.3	165.5	—
Treasury	803.4	581.1	1,452.2
Total Property Tax Relief Fund	$12,179.4	$10,813.9	$10,907.7
Gubernatorial Elections Fund	$ —	$ —	$ 9.5
Casino Control Fund:			
Department of:			
Law and Public Safety	$ 44.8	$ 39.5	$ 37.6
Treasury	7.6	21.2	23.9
Total Casino Control Fund	$ 52.4	$ 60.7	$ 61.5
Casino Revenue Fund:			
Department of:			
Health	$ 170.4	$ 150.5	$ 212.0
Human Services	130.5	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	25.1	29.1	30.2
Total Casino Revenue Fund	$ 328.3	$ 312.4	$ 375.0
Total Expenditures	$44,474.7	$43,042.8	$44,268.3

Balance Sheets

The comparative balance sheets for the General Fund as of June 30, 2011 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, 2012 are set forth below:

GENERAL FUND
COMPARATIVE BALANCE SHEETS
(Audited)

	As of June 30,	
	2012	**2011***
ASSETS		
Cash and Cash Equivalents	$ 30,861,411	$ 30,287,641
Investments	594,553,915	1,657,854,518
Receivables, Net of Allowances for Uncollectibles		
Federal Government	458,583,519	671,217,496
Departmental Accounts	1,985,912,853	1,617,295,791
Loans	24,461,703	23,977,021
Other	172,823,084	188,798,503
Due from Other Funds	867,840,869	1,041,032,669
Other	4,986,001	4,993,856
Total Assets	$4,140,023,355	$5,235,457,495
LIABILITIES		
Accounts Payable and Accruals	$1,371,923,310	$1,445,643,136
Deferred Revenue	269,582,724	401,246,235
Due to Other Funds	237,539,106	500,130,315
Other	200,483,708	156,427,715
Total Liabilities	$2,079,528,848	$2,503,447,401
Fund Balances *		
Restricted	$ 90,024,387	$ 84,030,275
Committed	1,529,098,445	1,783,854,952
Unassigned	441,371,675	864,124,867
Total Fund Balances	$2,060,494,507	$2,732,010,094
Total Liabilities and Fund Balances	$4,140,023,355	$5,235,457,495

Note:

* In Fiscal Year 2011, the State implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* This statement established new fund balance classifications and clarified existing governmental fund type definitions.

See the 2012 CAFR incorporated herein by reference, for the notes, including Note 2, 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, 2012
(Audited)

	Casino Control Fund (1)	Casino Revenue Fund (2)	Gubernatorial Elections Fund (3)	Property Tax Relief Fund (4)
ASSETS				
Cash and Cash Equivalents	$ 50,350	$ —	$ —	$ —
Receivables, Net of Allowances for Uncollectibles				
Department Accounts	8,866,439	44,824,396	420,480	535,627,253
Due from Other Funds	2,049,222	1,241,324	621,926	11,197,067
Total Assets	$10,966,011	$46,065,720	$1,042,406	$546,824,320
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable and Accruals	$ 4,062,144	$13,392,439	$ —	$ 48,564,993
Deferred Revenue	3,287,568	27,000	—	—
Due to Other Funds	—	—	—	349,301,368
Other	—	—	—	143,000,714
Total Liabilities	$ 7,349,712	$13,419,439	$ —	$540,867,075
Fund Balances				
Committed	3,616,299	32,646,281	1,042,406	5,957,245
Total Fund Balances	$ 3,616,299	$32,646,281	$1,042,406	$ 5,957,245
Total Liabilities and Fund Balances	$10,966,011	$46,065,720	$1,042,406	$546,824,320

(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, 2012. The amount of authorized general obligation bonded indebtedness may not be increased without voter approval. See "CERTAIN CONSTITUTIONAL PROVISIONS — Debt Limitations" herein. See also "OBLIGATIONS SUPPORTED BY STATE REVENUE SUBJECT TO ANNUAL APPROPRIATION" and "MORAL OBLIGATION FINANCING" herein.

Bond Act(1)	Year Authorized	Final Maturity	Amount Authorized	Amount Unissued	Amount Retired(2)	Amount Outstanding
Clean Waters	1976	2023	$ 120,000,000	$ 3,400,000	$ 115,850,000	$ 750,000
State Land Acquisition and Development	1978	2022	200,000,000	—	199,075,000	925,000
Natural Resources	1980	2023	145,000,000	9,600,000	130,800,000	4,600,000
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	—	200,000,000	48,000,000	152,000,000	—
Green Acres, Cultural Centers and Historic Preservation	1987	2022	100,000,000	1,000,000	95,045,000	3,955,000
Jobs, Education & Competitiveness	1988	2015	350,000,000	—	349,220,000	780,000
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	119,110,000	890,000
Stormwater Management and Combined Sewer Overflow Abatement	1989	2023	50,000,000	13,000,000	32,465,000	4,535,000
New Jersey Green Acres, Clean Water, Farmland & Historic Preservation	1992	2023	345,000,000	12,880,000	320,785,000	11,335,000
Developmental Disabilities Waiting List Reduction and Human Services Facilities Construction	1994	2023	160,000,000	—	153,995,000	6,005,000
Green Acres, Farmland and Historic Preservation, and Blue Acres	1995	2023	340,000,000	21,000,000	307,685,000	11,315,000
Port of New Jersey Revitalization, Dredging, Environmental Cleanup, Lake Restoration, and Delaware Bay Area Economic Development	1996	2023	300,000,000	116,500,000	136,480,000	47,020,000
Statewide Transportation and Local Bridge	1999	2023	500,000,000	—	464,540,000	35,460,000
Dam, Lake, Stream, Flood Control, Water Resources, and Wastewater Treatment Project	2003	2023	200,000,000	42,250,000	84,495,000	73,255,000
Green Acres, Farmland, Blue Acres, and Historic Preservation	2007	2023	200,000,000	59,000,000	81,320,000	59,680,000
Green Acres, Water Supply and Floodplain Protection, and Farmland and Historic Preservation	2009	—	400,000,000	400,000,000	—	—
Refunding(3)	1985	2023	6,134,329,598	—	4,021,264,598	2,113,065,000
Totals			$10,834,329,598	$893,230,000	$7,556,434,598	$2,384,665,000

(1) In November 2012, voters approved the Building Our Future Bond Act, which authorizes the issuance of $750,000,000 of general obligation bonds.

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

(3) 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, 2012.

Fiscal Year	Principal	Interest	Total
2013	$ 333,755,000	$115,303,047	$ 449,058,047
2014	232,710,000	96,404,852	329,114,852
2015	298,270,000	84,173,838	382,443,838
2016	350,950,000	68,731,781	419,681,781
2017	222,440,000	53,768,663	276,208,663
2018	204,730,000	42,857,041	247,587,041
2019	202,580,000	32,478,397	235,058,397
2020	232,930,000	21,318,963	254,248,963
2021	170,290,000	11,175,563	181,465,563
2022	95,900,000	5,004,494	100,904,494
2023	40,110,000	1,426,856	41,536,856
Totals	$2,384,665,000	$532,643,494	$2,917,308,494

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 2, 2012, the State Treasurer adopted a resolution authorizing the issuance of TRANs for Fiscal Year 2013. Pursuant thereto, on July 2, 2012, the State Treasurer entered into a Note Purchase Contract with Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") under which TRANs may be issued to and purchased by Merrill Lynch, in one or more series, from time to time, in an amount not to exceed $2,100,000,000. The resolution also authorizes the State Treasurer to issue additional TRANs beyond those issued to Merrill Lynch, with no limitation on such amount.

Pursuant to the terms of the Note Purchase Contract, the State issued TRANs to and which were purchased by Merrill Lynch on July 9, 2012 in the amount of $1,200,000,000 (the "Series Fiscal 2013A Notes") and on August 31, 2012 in the amount of $900,000,000 (the "Series Fiscal 2013B Notes"). The Series Fiscal 2013A Notes and the Series Fiscal 2013B Notes were refunded and retired with part of the proceeds of the State's publicly offered $2,600,000,000 Tax and Revenue Anticipation Notes, Series Fiscal 2013C (the "Series Fiscal 2013C Notes") on November 20, 2012. The Series Fiscal 2013C Notes mature on June 27, 2013. The State does not expect to issue additional TRANs in Fiscal Year 2013.

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 such appropriations, 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 System" 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 Years 2013 and 2014. 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.

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, 2012 and the estimated Fiscal Year 2013 debt service on such obligations. The second table depicts the aggregate estimated future debt service as of June 30, 2012 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) 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 2012 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.

SUMMARY OF OBLIGATIONS SUBJECT TO ANNUAL APPROPRIATION AS OF JUNE 30, 2012

Issuer	Type of Agreement	Principal Amount Outstanding(1)	Fiscal Year 2013 Debt Service(2)
Garden State Preservation Trust	Contract	$ 1,024,729,410	$ 79,845,340
New Jersey Building Authority	Lease	584,375,000	105,663,537
New Jersey Economic Development Authority			
Economic Recovery Fund	Contract	147,151,999	25,603,397
Liberty State Park — Park Projects	Lease	11,835,000	1,408,793
Liberty State Park — Science Center Projects	Lease	82,610,000	7,389,881
New Jersey Performing Arts Center	Lease	20,315,000	5,549,300
State Pension Funding	Contract	2,432,889,891	293,426,677
Department of Human Services Programs	Service Contract	17,970,000	2,874,724
New Jersey Transit Light Rail System	Lease	291,715,000	52,906,980
State Office Buildings Projects	Lease	33,940,000	5,259,938
School Facilities Construction(3)	Contract	8,307,579,000	1,147,944,881
Municipal Rehabilitation	Contract	149,270,000	14,113,548
Motor Vehicle Commission	Contract	159,998,107	73,325,000
Business Employment Incentive Program	Contract	93,730,000	28,022,664
Designated Industries Economic Growth and Development	Contract	6,530,000	4,120,018
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	978,380,000	88,468,500
Lafayette Yard Hotel Project	Lease	14,405,000	1,916,917
State Police Barracks Project	Lease	8,080,000	950,419
New Jersey Educational Facilities Authority			
Capital Improvement Fund	Contract	384,265,000	43,878,588
Dormitory Safety Trust Fund	Contract	23,240,000	6,741,821
Public Library Project Grant Program	Contract	31,465,000	3,764,800
New Jersey Health Care Facilities Financing Authority			
Greystone Park Psychiatric Hospital Project	Contract	178,760,000	15,622,002
Hospital Asset Transformation Program	Contract	433,660,000	28,450,267
New Jersey Sports and Exposition Authority(4)	Contract	549,275,000	89,362,169
New Jersey Transportation Trust Fund Authority	Contract	13,395,595,716	950,577,568
State of New Jersey Certificates of Participation			
James J. Howard Marine Science Laboratory	Lease	2,080,000	1,137,425
New Jersey Transit, Transportation Equipment	Lease	803,235,000	104,961,694
State-Supported County College Bonds	Statutory	209,456,952	32,459,782
State Equipment Line of Credit	Lease	98,234,062	27,995,961
TOTALS		$31,461,050,689	$3,285,877,819

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

(2) For variable rate bonds, interest amounts were calculated using the rates in effect on June 30, 2012. (See "OBLIGATIONS SUPPORTED BY STATE REVENUE SUBJECT TO ANNUAL APPROPRIATION — Variable Rate Bonds" herein).

(3) The fiscal year 2013 debt service amount includes $750,000,000 School Facilities Construction Notes, 2010 Series B that mature June 15, 2013. However such Notes were refunded on January 31, 2013. This table has not been adjusted to reflect this refunding.

(4) Amounts do not include contingent State contract bond obligations in connection with certain Standby Deficiency Agreements. See "OBLIGATIONS SUPPORTED BY STATE REVENUE SUBJECT TO ANNUAL APPROPRIATION — New Jersey Sports and Exposition Authority" herein for a description of such contingent obligations.

ESTIMATED FUTURE DEBT SERVICE SUBJECT TO APPROPRIATION AS OF JUNE 30, 2012

Fiscal Year	Principal(1)	Estimated Interest(1)(2)	Total
2013(3)	$ 1,708,366,598	$ 1,574,625,248	$ 3,282,991,846
2014	1,273,495,130	1,536,346,284	2,809,841,414
2015	1,321,793,572	1,499,174,834	2,820,968,407
2016(4)	1,622,137,945	1,428,079,678	3,050,217,624
2017	1,560,095,054	1,401,916,999	2,962,012,053
2018(5)	1,928,738,184	1,358,177,196	3,286,915,380
2019	1,613,142,856	1,329,952,874	2,943,095,731
2020	1,457,253,181	1,293,606,944	2,750,860,125
2021	1,479,105,033	1,210,340,269	2,689,445,303
2022	1,441,831,564	1,172,075,313	2,613,906,878
2023	1,475,428,695	1,107,351,377	2,582,780,072
2024	1,404,200,597	1,049,478,123	2,453,678,720
2025	1,284,775,701	1,125,997,774	2,410,773,475
2026	1,455,555,764	908,794,153	2,364,349,917
2027	1,557,339,055	784,830,504	2,342,169,559
2028	1,497,806,994	706,128,100	2,203,935,094
2029	1,378,610,214	666,584,131	2,045,194,344
2030	649,909,162	541,004,906	1,190,914,068
2031	479,119,239	526,461,940	1,005,581,179
2032	517,989,382	517,110,431	1,035,099,813
2033	540,769,086	480,484,786	1,021,253,871
2034	577,906,831	460,662,532	1,038,569,363
2035	583,169,809	439,203,831	1,022,373,640
2036	427,789,570	535,741,708	963,531,278
2037	396,739,324	498,949,801	895,689,125
2038	340,561,526	510,686,049	851,247,575
2039	276,258,420	585,230,342	861,488,763
2040	456,075,782	468,071,580	924,147,363
2041	641,621,082	159,827,093	801,448,175
2042	82,790,000	4,139,500	86,929,500
	$31,430,375,354	$25,881,034,300	$57,311,409,654

(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 bonds, interest amounts were calculated using the rates in effect on June 30, 2012. (See "OBLIGATIONS SUPPORTED BY STATE REVENUE SUBJECT TO ANNUAL APPROPRIATION — Variable Rate Bonds" herein).

(3) The principal amount includes $750,000,000 School Facilities Construction Notes, 2010 Series B that mature June 15, 2013. However such Notes were refunded on January 31, 2013. This table has not been adjusted to reflect this refunding.

(4) The principal amount includes $242,495,000 School Facilities Construction Notes, 2011 Series E that mature February 1, 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 $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.

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") has been 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.

The Market Transition Facility Bonds have been issued pursuant to legislation enacted June 1994 to pay the current and anticipated liabilities and expenses of the Market Transition Facility, which issued private passenger automobile insurance policies for drivers who could not be insured by private insurance companies on a voluntary basis. 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.

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 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 Market Transition Facility Bonds and 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; (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; (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; (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; (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; 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 debt service on the bonds issued under these programs is payable by the State pursuant to contracts between the NJEFA and the State Treasurer subject to appropriation by the State Legislature.

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.

In connection with the Atlantic City Convention Center Structured Lease Financing, the NJSEA issued its State Contract Bonds, Series B Standby Deficiency Agreement Series of 2001, Equity Termination Value Standby Deficiency Agreement Series of 2010 and Swap Payment Standby Deficiency Agreement Series of 2001, in the maximum amount payable as to principal and interest of $100 million. These Standby Deficiency

Bonds also constitute additional bonds under the general resolution for this program, but are contingent obligations and no amounts are currently outstanding nor is it expected that the NJSEA will be required to make payments.

The Standby Deficiency Bonds are supported by a letter of credit from The Bank of New York Mellon, which expires in December 2014. The reimbursement obligation to The Bank of New York Mellon under the Letter of Credit and Reimbursement Agreement is secured by a State Contract Bond Equity Termination Value Standby Deficiency Agreement Series of 2010 in the maximum amount of $73,307,206.98.

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 Joint Budget Oversight Committee of the State Legislature ("JBOC").

Pursuant to the New Jersey Transportation Trust Fund Authority Act of 1984, as amended (the "TTFA Act"), the principal amount of the TTFA's bonds, notes or other obligations which could be issued in any fiscal year commencing with the fiscal year beginning July 1, 2006 and ending with the fiscal year beginning on July 1, 2010, generally could not exceed $1,600,000,000 in any fiscal year, as such amount was required to be reduced in each of those fiscal years by the amount by which the appropriation of State funds to the Transportation Trust Fund Account for that fiscal year exceeded $895,000,000; provided, however, that if a portion of that permitted amount of debt, less any reduction as provided above, was not incurred in a fiscal year, an amount not greater than the unused portion may be incurred in a subsequent fiscal year in addition to the amount otherwise permitted. As of June 30, 2012, the amount of such unused statutory bond cap totaled $326 million.

On June 29, 2012, the TTFA Act was 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 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, 2012, the independent State authorities shown below had in aggregate $456,900,000 of variable rate demand bonds outstanding, with interest rates that reset daily or 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, 2012, the NJEDA had outstanding $1,278,115,000 of floating rate notes, which bear interest at a rate that resets quarterly, monthly, or weekly 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.

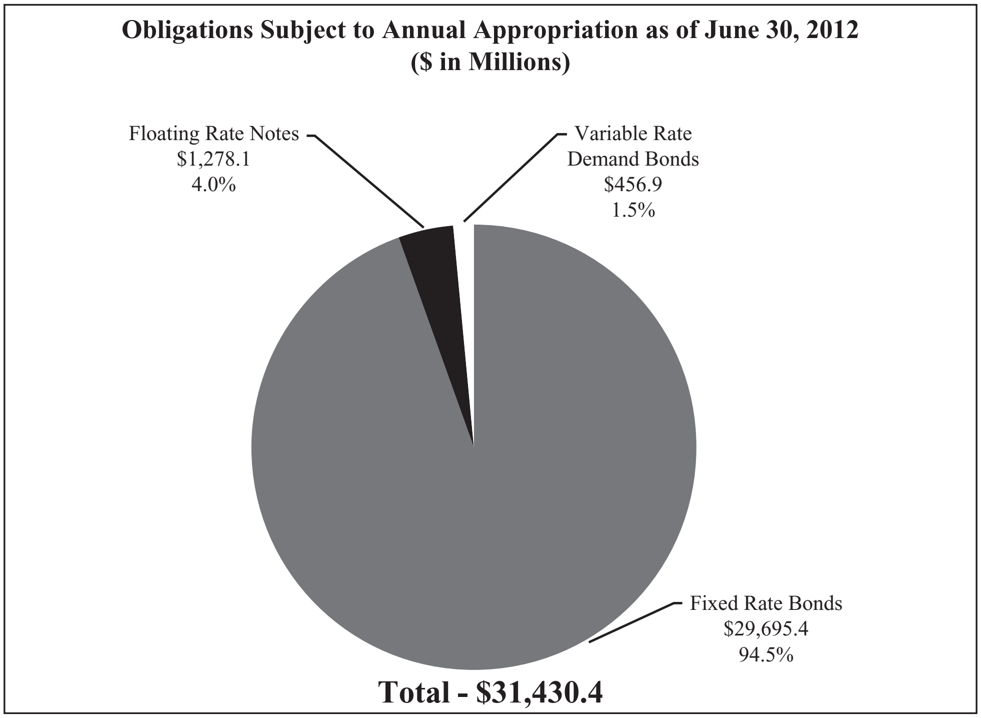
The following table provides a summary of the State-supported variable rate bonds outstanding as of June 30, 2012.

SUMMARY OF VARIABLE RATE OBLIGATIONS
AS OF JUNE 30, 2012

Issuer	Series	Type-Reset Period	Amount Outstanding	Index Rate (if applicable)	Interest Rate	Letter of Credit Bank
NJBA	2003 Series A-1	VRDB-Weekly	$ 47,750,000	N/A	0.15%	Barclays
	2003 Series A-2	VRDB-Weekly	47,850,000	N/A	0.15%	Barclays
	2003 Series A-3	VRDB-Weekly	31,900,000	N/A	0.15%	Barclays
	2003 Series A-4	VRDB-Weekly	31,900,000	N/A	0.15%	Barclays
NJEDA (School Facilities Construction Bonds)	2010 Series B*	FRN-Quarterly	750,000,000	3-Month LIBOR + 1.00%	1.550%	None
	2011 Series C	FRN-Weekly	65,620,000	SIFMA + 1.80%	1.980%	None
	2011 Series D	FRN-Monthly	150,000,000	70% 1-Month LIBOR + 1.80%	1.967%	None
	2011 Series E	FRN-Weekly	242,495,000	SIFMA + 1.70%	1.880%	None
	2011 Series E	FRN-Weekly	25,000,000	SIFMA + 1.90%	2.080%	None
	2011 Series F	FRN-Monthly	45,000,000	70% 1-Month LIBOR + 1.90%	2.067%	None
TTFA	2009 Series C	VRDB-Weekly	150,000,000	N/A	0.14%	Wells Fargo
	2009 Series D	VRDB-Weekly	147,500,000	N/A	0.16%	Wells Fargo
		Total	$1,735,015,000			

* The 2010 Series B Notes were refunded with fixed rate bonds on January 31, 2013. The table above and the table on page I-44 have not been adjusted to reflect this refunding.

The following table provides a summary, by type, of the State's subject to appropriation bonds and notes as of June 30, 2012.



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.

Various independent State authorities have outstanding swap agreements with nine different counterparties. The following table sets forth for each swap agreement: the issuer, counterparty, outstanding notional amount, effective date, termination date, fixed rate and floating index as of June 30, 2012.

State of New Jersey
Interest Rate Swap Agreement Summary
As of June 30, 2012

Bond Issuer	Counterparty	Outstanding Notional Amount	Effective Date	Termination Date	Fixed Rate	Floating Index
NJBA						
	Citibank, N.A., New York	$ 66,950,000	8/20/2003	6/15/2023	3.64000%	62% 1-Month LIBOR+20 bps
	Citibank, N.A., New York	28,690,000	8/20/2003	6/15/2023	3.64000%	62% 1-Month LIBOR+20 bps
	Goldman Sachs Mitsui Marine Derivative Products, L.P.	22,310,000	8/20/2003	6/15/2023	3.64000%	62% 1-Month LIBOR+20 bps
	Goldman Sachs Mitsui Marine Derivative Products, L.P.	9,570,000	8/20/2003	6/15/2023	3.64000%	62% 1-Month LIBOR+20 bps
	Morgan Stanley Capital Services, Inc.	22,310,000	8/20/2003	6/15/2023	3.64000%	62% 1-Month LIBOR+20 bps
	Morgan Stanley Capital Services, Inc.	9,570,000	8/20/2003	6/15/2023	3.64000%	62% 1-Month LIBOR+20 bps
		$ 159,400,000				
NJEDA (School Facilities Construction Bonds)*						
	Variable-to-Fixed Swaps					
	Bank of America, N.A.	$ 96,828,546	9/1/2006	9/1/2031	4.40740%	71.98% 1-Month LIBOR
	Bank of America, N.A.	312,750,672	5/1/2010	3/1/2035	4.25100%	62% 1-Month LIBOR+40 bps
	Bank of Montreal**	244,200,000	11/1/2009	11/1/2012	3.15250%	No Floating Payment
			11/1/2012	9/1/2034	4.54850%	62% 1-Month LIBOR+40 bps
	Goldman Sachs Mitsui Marine Derivative Products, L.P.	78,167,500	3/1/2006	3/1/2031	4.29590%	70.8% 1-Month LIBOR
	Goldman Sachs Mitsui Marine Derivative Products, L.P.	91,660,000	9/1/2006	9/1/2031	4.40740%	71.98% 1-Month LIBOR
	Goldman Sachs Mitsui Marine Derivative Products, L.P.	112,069,166	9/1/2007	9/1/2032	4.39900%	71.57% 1-Month LIBOR
	IXIS Financial Products, Inc.	214,948,333	11/1/2008	9/1/2033	4.48900%	62% 1-Month LIBOR+40 bps
	Royal Bank of Canada	138,193,333	5/1/2009	3/1/2034	4.51240%	62% 1-Month LIBOR+40 bps
	UBS AG, Stamford Branch	64,322,500	9/1/2004	9/1/2029	4.06250%	71.13% 1-Month LIBOR
	UBS AG, Stamford Branch	67,110,000	3/1/2005	3/1/2030	4.17625%	74.24% 1-Month LIBOR
	UBS AG, Stamford Branch	116,097,500	9/1/2007	9/1/2032	4.39900%	71.57% 1-Month LIBOR
	Wells Fargo Bank, N.A.	140,596,116	9/1/2004	9/1/2029	4.06250%	71.13% 1-Month LIBOR
	Wells Fargo Bank, N.A.	72,582,866	3/1/2005	3/1/2030	4.17625%	74.24% 1-Month LIBOR
	Wells Fargo Bank, N.A.	163,445,431	3/1/2006	3/1/2031	4.29590%	70.8% 1-Month LIBOR
	Fixed-to-Variable Swap					
	UBS AG, Stamford Branch***	380,515,000	5/1/2008	9/1/2015	3.03590%	75% 1-Month LIBOR
		$2,293,486,963				
	Totals	**$2,452,886,963**				

* The NJEDA on January 31, 2013 entered agreements with several of the counterparties listed in the table to terminate, as of June 15, 2013, all or a portion of the existing swap agreements. The table has not been adjusted to reflect these agreements.

** This swap pays at a fixed rate with no floating rate receipt through November 1, 2012. Beginning November 1, 2012 the swap has both fixed and floating payments as indicated.

*** The NJEDA terminated this swap agreement on January 31, 2013.

As of June 30, 2012, the mark-to-market value of the swap agreements are negative, indicating that the independent State authorities have 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 independent State authority and at such time the independent State authority 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 independent State authority'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 independent State authority to one or more counterparties.

The various independent State authorities are 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 independent

State authority would be required to make a termination payment in the amount of the negative mark to market. At June 30, 2012, the aggregate negative mark-to-market on the swaps listed in the above table was $672.614 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, 2012.

	Principal Amount Outstanding	Fiscal Year 2013 Debt Service
New Jersey Housing and Mortgage Finance Agency	$ 24,505,000	$ 4,570,840
South Jersey Port Corporation	281,790,000	25,894,858
Higher Education Student Assistance Authority	2,493,510,000	197,855,000
	$2,799,805,000	$228,320,698

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
2008	$ 6,881,543
2009	7,459,997
2010	11,534,236
2011	7,013,289
2012	19,847,053

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. Employees on the payroll as of July 1, 2011 and who are not eligible for an increment in Fiscal Year 2012 and Fiscal Year 2013 will receive a one-time cash bonus of $450 on or about July 1, 2013, which will not be included in such employees' base salary. Also, any employee making over $55,000 is no longer eligible to receive a clothing allowance (subject to certain exceptions) or shift differential based on criteria set forth in the successor agreement. The annual clothing allowance payment was decreased from $700 to $550.

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. Employees on the payroll as of July 1, 2011 and who are not eligible for an increment in Fiscal Year 2012 and Fiscal Year 2013 will receive a one-time cash bonus of $450, which will not be included in such employees' base salary. Also, any employee making over $100,000 is no longer eligible to receive a clothing allowance (subject to certain exceptions) or shift differential based on criteria set forth in the successor agreement. The CWA units agreed to delete other monetary items from the successor agreement in exchange for a higher limitation on clothing allowance and shift differential. Specifically, the CWA units agreed to a deletion of a bonus to employees at a lower salary level. In addition, with regard to the clothing allowance, the CWA units agreed that in each of the four years of the successor agreement the application of new criteria for eligibility of clothing allowance would result in at least a twenty (20%) percent reduction in the number of employees who received an allowance in the final year of the parties' Fiscal Years 2007-2011 agreement. The annual clothing allowance payment was decreased from $700 to $550.

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. Employees on the payroll as of July 1, 2011 and who are not eligible for an increment in Fiscal Year 2012 and Fiscal Year 2013 will receive a one-time cash bonus of $450 on or about July 1, 2013, which will not be included in such employees' base salary. Also, any employee making over $55,000 is no longer eligible to receive a clothing allowance (subject to certain exceptions) or shift differential based on criteria set forth in the successor agreement. The annual clothing allowance payment was decreased from $700 to $550. This contract also contains a provision that no step increments shall be paid after June 30, 2015.

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. There is a one-time payment of $800 in Fiscal Year 2013, not added to base salary, to employees who were at the top step (step 10) as of May 31, 2012. These employees do not receive a step increment since they are at the top step (step 10) of the guide. There is a new salary scale for Corrections officers (Recruits) entering the academy on or after July 1, 2012. When such Corrections officers (Recruits) finish their one year probationary period they will be placed on step 1 of the new guide at $44,039, which was decreased from $55,842. Step 10, in the new scale, is the same as step 10 of the scale for Corrections officers entering the academy prior to July 1, 2012. However, there are significant savings achieved by spreading out the step increases over the nearly twelve years it takes to reach step 10. The Parole Officers, who are represented by PBA 105, will no longer receive the annual $1,535 uniform allowance. This allowance is reduced to zero in the new agreement.

The State is negotiating an initial contract with IBEW Local 33, which represents DAsG in the Division of Law and the Division of Alcohol and Beverage Control.

The State is negotiating an initial contract with IBEW Local 30, State Government Managers Unit, which represents Managers in the Executive Branch.

The State is currently in negotiation with its Law Enforcement units which include: the New Jersey Policemen Benevolent Associations State Law Enforcement Unit ("SLEU"), New Jersey Law Enforcement Supervisors Association ("NJLESA"), the New Jersey Superior Officers Law Enforcement Association ("NJLESOA"), and the New Jersey Internal Investigation Unit ("NJIA") for successor contracts to those that expired on June 30, 2011. These groups represent approximately 1,250 employees. The State interest arbitration with New Jersey Law Enforcement Commanding Officers Association ("NJLECOA") representing Corrections

Majors was dismissed by the Public Employer Relations Commission on September 6, 2012. The State is currently in negotiations with NJLECOA for the successor contract to the one that expired on June 30, 2011. NJLECOA represents approximately 50 members.

The State is currently in interest arbitration with the Chiefs subunit of NJLECOA. As of December 3, 2011, that subunit represented approximately six members in the title of Director of Custody Operations ("DOCOs/ Chiefs"). The Civil Service Commission eliminated that title in the Department of Corrections, along with the title of Corrections Captain, and created the title of Corrections Major effective December 4, 2011. That title became part of the existing NJLECOA unit and the existing Corrections DOCOs and Corrections Captains became Corrections Majors. Accordingly, the pending interest arbitration is limited to the period starting October 9, 2009 through December 4, 2011. After December 4, 2011, as no DOCOs remained, the subunit no longer exists.

The State is in mediation with the State Investigators Unit represented by FOP Lodge 91, rank and file unit, the State Investigators Unit represented by the N.J. Division of Criminal Justice Non-Commissioned Officers Association, and the State Investigators Unit 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 a new contract have not yet commenced.

Unless otherwise mentioned, the agreements reached by the State, as discussed herein, include the continuation of step increment payments.

FUNDING PENSION PLANS

General. 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. The State operates seven defined benefit pension plans (collectively, the "Pension Plans"). Listed in order of active membership based on the most recent actuarial valuation reports dated July 1, 2012, the Pension Plans and their active and retired membership are as follows:

	Membership at June 30, 2012	
Plan	**Active**	**Retired**
Public Employees' Retirement System ("PERS")	280,158	153,625
Teachers' Pension and Annuity Fund ("TPAF")	150,200	89,700
Police and Firemen's Retirement System ("PFRS")	40,819	39,767
State Police Retirement System ("SPRS")	2,721	3,030
Judicial Retirement System ("JRS")	407	538
Consolidated Police and Firemen's Pension Fund ("CP&FPF")	0	241
Prison Officers' Pension Fund ("POPF")	0	135
Total:	474,305	287,036

From June 30, 2007 to June 30, 2012, the total number of active members of all of the State-administered plans decreased by 48,595 or 9.3% and the total number of retired members increased by 47,713 or 20.0%.

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, 2012, those members of the PERS and PFRS for which the State is responsible for making contributions were, with respect to PERS, 84,910 active members and 49,341 retired members and, with respect to PFRS, 7,187 active members and 5,436 retired members.

Although PERS and PFRS segregate the active and retired members of the State and the local governments, under certain State statutes, the State is responsible for making certain contributions to PFRS and PERS on behalf of local employers. With respect to PERS, the normal cost portion of the actuarially recommended contribution relating to the retirement benefit increase provided to the local governmental members of PERS under L. 2001, c. 133 ("Chapter 133"), which is valued at $46.7 million as of the July 1, 2012 PERS actuarial valuation, continues to be charged against the Benefit Enhancement Fund that was established for the local governmental employer component of PERS. The PERS actuarial valuation as of June 30, 2012 valued the Benefit Enhancement Fund in the local governmental portion of PERS at approximately $259.1 million. Although local governmental employers participating in the PERS are, for the most part, responsible for funding the normal cost and the unfunded actuarial accrued liability relating to the local governmental members of PERS, Chapter 133 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, 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. 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 Governor's Fiscal Year 2014 Budget Message includes a recommended contribution to the PFRS of $170.6 million, of which $73.2 million represents funding for local participant enhanced benefits. For Fiscal Year 2013, based on the Fiscal Year 2013 Appropriations Act, the State is expected to make a contribution of $112.5 million of which $48.9 million is expected to be applied toward funding for enhanced benefits for local PFRS participants. For Fiscal Year 2012, the State made a contribution of $53.6 million of which $23.8 million was applied toward funding for enhanced benefits for local PFRS participants. Because the State is permitted to make actuarially recommended contributions to the Pension Plans on a phased-in basis over a seven year period beginning in Fiscal Year 2012 under the provisions of L. 2010, c.1 ("Chapter 1"), the State's contribution to fund the PFRS enhanced benefits is increasing. See "FUNDING PENSION PLANS—*Current and Historical Contributions and Funding Status*", herein.

State law regulates the administration of the Pension Plans. 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 deemed incorporated herein by reference.

The purpose of an actuarial valuation is to calculate the actuarial accrued liability in each of the Pension Plans, which estimates on the basis of demographic and economic assumptions the present value of benefits each of the Pension Plans will pay to its retired members and active members upon retirement. The State contracts with the independent actuaries to provide annual actuarial valuations for each of the Pension Plans performed in accordance with State statutes and generally recognized and accepted actuarial principles and practices. 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. As is discussed below, the actual amounts that the State contributes to the Pension Plans each Fiscal Year are subject to annual appropriation by the State Legislature and 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 6-8 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, 2011 are applicable to the Fiscal Year ended June 30, 2013. See "FUNDING PENSION PLANS—*Current and Historical Contributions and Funding Status*" herein.

To calculate the actuarial value of assets and actuarial accrued liability of each of the Pension Plans, the actuarial valuations use several actuarial assumptions. The expected rate of return on assets used by the actuaries is established by the State Treasurer and the other assumptions, including assumed inflation rates and future pay increases, are approved by the applicable Pension Plan boards. Other assumptions used in the actuarial valuations include the age of retirement of active members, assumed rates of disability and post-employment life expectances of retirees and beneficiaries. 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 State's financial burden of its obligations 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 the Pension Plans' respective historical experiences. Changes recommended by the actuaries are reviewed and considered for implementation by the appropriate Pension Board.

The Pension Plans have recently changed two of their key assumptions. The current assumption regarding the assumed rate of return was reduced from 7.95% to 7.90% effective with the most recent July 1, 2012 actuarial valuations. 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 recommend a further reduction in the assumption. This marks the second consecutive year the State has lowered the assumed rate of return. Last year, the State lowered the assumed rate of return from 8.25% to 7.95%.

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 investment portfolio of the Pension Plans can be highly volatile. 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 Years 2010 and 2011, the investment rate of return was 13.36% and 18.03% (excluding returns on PFRS mortgages for PFRS members), respectively, which had a positive impact on the overall UAAL of the Pension Plans. The investment rate of return for Fiscal Year 2012 was 2.52% (excluding returns on PFRS mortgages to PFRS members), which was below the assumed rate of return of 7.95% and will cause the UAAL of the Pension Plans to increase. Annualized returns for the three-, five- and ten-year periods ending June 30, 2012 were 11.11%, 2.46% and 6.42%, respectively. The Division of Investment of the New Jersey Department of the Treasury, which is under the independent supervision of the State Investment Council, invests the assets of the Pension Plans. State law regulates the types of investments which are permitted.

For the second consecutive year, the assumption for future pay increases was also reduced. Last year, effective with the July 1, 2011 actuarial valuations, the assumed salary increase was reduced by an average of 2 percentage points for a five year period and 0.75 percentage points thereafter. This has been revised, effective with the July 1, 2012 actuarial valuations, to a 2 percentage point reduction for a ten year period beginning July 1, 2011 and a 1 percentage point reduction thereafter in PERS, PFRS, SPRS and JRS. In TPAF, effective with the July 1, 2012 actuarial valuations, there was a reduction in the assumption for future pay increases of 0.4 percentage points through June 30, 2016 which increased the reduction from 2 percentage points to 2.4 percentage points, no change over the next five years ending June 30, 2021 leaving the reduction at 1 percentage point, and an average reduction of 0.65 percentage points for the years after June 30, 2021 which increased the reduction from 0.75 percentage points to 1.4 percentage points.

The assumed rate of return of the Pension Plans is analyzed together with the salary growth assumption and the actual impact that changes in those two assumptions on the UAAL is the net change of both of these assumptions. Thus, although the reduction in the assumed rate of return caused the UAAL of the Pension Plans to increase, the reduction in the salary growth assumption had the opposite effect and caused the UAAL to decrease, and the net impact of the two assumption changes on the State's portion of the UAAL was minimal.

In addition, 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. For example, the Pension Plans use an asset valuation method of smoothing gains and losses in the market value of their assets over a five-year period to prevent extreme fluctuations that may result from temporary or cyclical economic and market conditions. As of June 30, 2012, the aggregate market value of all of the assets of the Pension Plans, as determined by the Pension Plans' actuaries, was approximately $74.4 billion, which amount includes contribution receivables from the State and local governmental employers. To the extent these receivables do not materialize, adjustments will be made by the actuaries in the next year's valuations. As of June 30, 2012, the aggregate actuarial value of all assets of the Pension Plans was $85.9 billion. Based on these figures, the Pension Plans have a net unsmoothed loss of approximately $11.5 billion, which is the difference between the market value of their assets and the actuarial value of their assets which is calculated using the smoothing method.

The Pension Plans, except the CP&FPF and the POPF, use the level dollar amortization method 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. The amortization method was changed from a level percent of pay method to a level dollar method effective with the July 1, 2010 actuarial valuations, which assumed that the amount the State would pay to amortize the UAAL in each year of the amortization period would reflect the same percentage of payroll (which results in an assumed amortization schedule that escalates due to the assumed salary growth). For a discussion of the impact of this, see "FUNDING PENSION PLANS—*Pension and Health Benefit Reform"* herein.

The State's annual 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 State's annual contribution to the Pension Plans is contingent upon the enactment of the annual Appropriations Act and in the past the State Legislature has not funded the full actuarially recommended contribution to the Pension Plans. However, as described in more detail below, Chapter 1, as discussed above, established a seven year phase-in of the State's contribution and L.2011, c.78 (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 being made by the State and local participating employer. See "FUNDING PENSION PLANS—*Pension and Health Benefit Reform*" herein.

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.

Benefits. 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. This is in accordance with legislation enacted by the State

Legislature in 2001 which increased the retirement benefits under PERS and TPAF by changing the retirement benefit formula from 1/60 to 1/55 of final average compensation for each year of service. 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. Also available to such participants are an early retirement benefit after 25 years of service or if enrolled on or after June 28, 2011, 30 years of service, and a veteran's retirement benefit after 20 and 25 years of service, if age requirements for those retirement benefits are met. To qualify for full benefits under early retirement the member must be at least age 55 if enrolled before June 28, 2011. If the member is under age 55 an early retirement penalty applies. If the member enrolled on or after June 28, 2011 the member must be at least age 65 to receive full benefits.

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.

Certain retirees also receive a cost-of-living adjustment in addition to their base retirement allowance under the State's pension adjustment program. In accordance with the 2011 Pension and Health Benefit Reform Legislation, the pension adjustment program, which provides for an adjustment in retirement benefits after a participant in one of the Pension Plans has been retired for two years, has been suspended for all current and future retirees effective July 1, 2011. Under the suspension, retirees are no longer entitled to future cost-of-living increases. However, cost-of-living benefits earned prior to the suspension continue to be paid. The pension adjustment program may be reactivated at a future date as specified in the statute (see "FUNDING PENSION PLANS—*Pension and Health Benefit Reform"* herein). The pension adjustment program is non-contributory and covers all eligible retirees and survivors of the Pension Plans. Prior to the suspension of pension adjustment benefits, eligible retirees received a cost-of-living adjustment based on 60.0% of the change in the Consumer Price Index from the year of retirement to the year immediately preceding the year of adjustment with no cap on the amount of such increase. In all Pension Plans, except CP&FPF and POPF, the Pension Plans directly fund the cost-of-living benefits and these cost-of-living benefits are included in the actuarial accrued liability of the Pension Plans. The State funds cost-of-living benefits in the CP&FPF and POPF on a "pay-as-you-go" basis.

Prior Legislative Changes Affecting Benefit Levels. The State Legislature has in the past adopted laws that increased the retirement benefits payable by the Pension Plans. The result of these increases in retirement benefits was to increase the actuarial accrued liability of the affected Pension Plans which also had the effect of increasing the actuarially recommended contributions for the State for the affected Pension Plans.

In addition, the State Legislature has in the past adopted laws that limited future retirement benefits payable by the Pension Plans. These laws are expected to limit the future growth of the actuarial accrued liability of the affected Pension Plans which also has the effect of limiting the growth of the actuarially recommended contributions for the State for the affected Pension Plans in future plan years. For example, the 2011 Pension and Health Benefit Reform Legislation suspends the automatic cost-of-living adjustments payable to retirees and beneficiaries of the Pension Plans, and reduces benefit levels for member enrolled on or after June 28, 2011. See "FUNDING PENSION PLANS—*Pension and Health Benefit Reform"* herein for a description of the changes enacted under the 2011 Pension and Health Benefit Reform Legislation.

The State Legislature also adopted laws in Fiscal Year 2010 affecting PERS and TPAF members enrolling on or after May 22, 2010 which limits membership in the Pension Plan to only full-time employees and changes the retirement benefit formula back to 1/60 of final average compensation for each year of service credit. The State Legislature also adopted a law in Fiscal Year 2009 which raised the minimum annual salary required to establish eligibility for membership under certain Pension Plans and increased the retirement age at which full pension benefits are payable from 60 to 62 for certain employees hired on or after November 2, 2008. The State Legislature also adopted laws in Fiscal Year 2007 which raised the employee contribution rate for PERS and TPAF active members from 5.0% to 5.5%, raised the early retirement age at which full retirement benefits are payable from 55 to 60 for new employees enrolled in the PERS and TPAF on or after July 1, 2007, and provides that new employees hired on or after July 1, 2007 are subject to a maximum compensation limit for PERS and TPAF pension contributions.

Calculations of actuarial accrued liability reflect legislation in effect at the time calculations are made. Legislation enacted after any such calculation could significantly increase or decrease the actuarial accrued liability reflected in any such calculations.

Pension and Health Benefit Reform. On June 28, 2011, the 2011 Pension and Health Benefit Reform Legislation was enacted that over the long-term is expected to improve the overall financial condition of the Pension Plans, raise the funded ratios of the Pension Plans to more financially sound levels, lower future actuarially recommended contributions from levels which likely would have been required without the 2011 Pension and Health Benefit Reform Legislation and reduce the unfunded actuarial accrued liability of the Pension Plans. See "FUNDING PENSION PLANS—*Impact of Pension Reforms on Overall Financial Condition of the Pension Plans*" herein. 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 pension adjustment 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 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 pension reforms also include the establishment of new pension committees for the Pension Plans as follows: two new committees each in PERS and PFRS, one for the State part of the Pension Plan and one for the local part of the Pension Plan and one new committee each in TPAF and SPRS. These six new committees will have the discretionary authority when targeted funded ratios are achieved to modify the member contribution rate, formula for calculation of final compensation or final salary, fraction used to calculate a retirement allowance, and 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 targeted funded ratios are reached. However, no decision of the Pension Committees (or the State House Commission for the JRS) can be implemented if the direct or indirect result of the decision causes the funded ratio of the applicable Pension Plan to fall below the "targeted funded ratio", as defined below, in any valuation period during the 30 years following the implementation of the decision as determined by the actuary for the applicable Pension Plan. 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. 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. Previously, the UAAL was amortized over a 30-year period as a level percent of pay. When a UAAL is amortized on a level percentage of pay, the amortized portion of the UAAL is less in the earlier years of the assumed amortization schedule because payroll costs are assumed to increase over time. By changing the amortization of the UAAL to a level dollar amount, this will mean the assumed amortization schedule will be stable over the whole period, but it will also likely increase the amount of the State's actuarially recommended contributions in the earlier years.

Status of Pension Committees. As of the July 1, 2012 actuarial valuations, none of the State-funded Pension Plans has a funded ratio above the target funded ratio. The SPRS reached the target funded ratio as of the July 1, 2011 actuarial valuation; however, it fell below the target funded ratio as of the most recent July 1, 2012 valuation. On the local government side, the PFRS-Local has a funded ratio above the target funded ratio as of the July 1, 2012 actuarial valuation. The PERS-Local reached the target funded ratio as of the July 1, 2011 actuarial valuation; however, it fell below the target funded ratio as of the most recent July 1, 2012 valuation. The pension committees for these three Pension Plans have been formed. The pension committees for PERS-State, TPAF and PFRS-State will be formed when the target funded ratio is reached in these Pension Plans.

Current and Historical Contributions and Funding Status. 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. Beginning with the actuarial valuations of the Pension Plans as of June 30, 2002, several of the Pension Plans (including PERS and TPAF) suffered from adverse market conditions and the Funded Ratio of these Pension Plans declined rapidly. As a result, the actuarial recommended contributions in those actuarial valuations increased and the State was not financially in the position to absorb the entire amount of the actuarially recommended contributions. For Fiscal Years 2004, 2005, 2006, 2007 and 2008, the State paid approximately 20.0%, 30.0%, 40.0%, 57.5%, and 50.1%, respectively, of the total actuarially recommended contributions of all of the Pension Plans.

However, for PERS and TPAF, the annual Appropriations Acts for Fiscal Years 2004, 2005 and 2006 authorized the use of the Benefit Enhancement Fund (the "State BEF") to offset the State's contribution to PERS and TPAF for those years. The State BEF is a special reserve fund within PERS and TPAF, and the assets are included in the actuarial value of assets. The required normal contributions to provide retirement benefit increases under L 2001, Chapter 353 and Chapter 133 were charged against the State BEF. The fund was established in Fiscal Year 2002 and credited with excess assets equivalent to member contributions for Fiscal Years 2000 and 2001 by transferring reserves in the Contingent Reserve Fund to the State BEF. Amounts in the State BEF for each of PERS and TPAF were calculated within the respective actuarial value of assets and the related retirement benefits were calculated within the respective actuarial accrued liabilities. Therefore, because the State used amounts from the State BEF to satisfy its contributions in Fiscal Years 2004 through 2006, from an actuarial perspective, the State did not contribute any funds to PERS or TPAF in Fiscal Years 2004 and 2005 and the State contributed minimal amounts in Fiscal Year 2006. Amounts in the State BEF available to be used to make the State contributions became fully depleted in Fiscal Year 2006 and the State made a contribution to PERS and TPAF representing approximately 57.5% of the actuarially recommended contributions of those Pension Plans for Fiscal Year 2007 and approximately 50% of the actuarially recommended contributions for Fiscal Year 2008.

For Fiscal Year 2009, although $1.047 billion was included in the Fiscal Year 2009 Appropriations Act as the State's pension contribution to the Pension Plans, the actual contribution made by the State was $106.3 million representing only 4.8% of the total actuarially recommended contribution to the Pension Plans of $2.231 billion. This contribution, which was due on June 30, 2009, was paid by the State on September 14, 2009. For Fiscal Year 2010, although $100 million was included in the Fiscal Year 2010 Appropriations Act as the State's contribution to the Pension Plans, the State did not make a contribution due to ongoing budgetary constraints. The $100 million contribution originally expected to be made for Fiscal Year 2010 represented only 4% of the total actuarially recommended contribution for the State to the Pension Plans of $2.519 billion. The State made no contribution to the Pension Plans in Fiscal Year 2011. The recommended contribution as determined by the actuaries for the Pension Plans for Fiscal Year 2011 was $3.060 billion.

In accordance with Chapter 1, the State has resumed making the actuarially recommended contributions to the Pension Plans on a gradual basis over a period of seven years beginning with Fiscal Year 2012. For Fiscal Year 2012, pursuant to Chapter 1 and as provided in the Fiscal Year 2012 Appropriations Act, the State made a pension contribution of $484.5 million to the Pension Plans, representing 1/7th of the full actuarially recommended contribution of $3.391 billion determined on the basis of the revised July 1, 2010 valuations. For Fiscal Year 2013, pursuant to Chapter 1 and as provided in the Fiscal Year 2013 Appropriations Act, the State is expected to make a contribution of $1.029 billion which represents 2/7th of the full actuarially recommended contribution for PERS, TPAF, PFRS, SPRS and JRS and the full actuarially recommended contribution for CP&FPF. The full recommended contribution of all Pension Plans for Fiscal Year 2013 is $3.600 billion determined on the basis of the July 1, 2011 actuarial valuations. For Fiscal Year 2014, based on the Governor's Fiscal Year 2014 Budget Message, the State is expected to make a contribution of $1.676 billion which represents 3/7th of the full actuarially recommended contribution for PERS, TPAF, PFRS, SPRS and JRS and the full recommended contribution for CP&FPF. The full recommended contribution of all Pension Plans for Fiscal Year 2014 determined on the basis of the July 1, 2012 actuarial valuations is $3.909 billion. In each subsequent fiscal year, Chapter 1 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. 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. See "FUNDING PENSION PLANS—Impact of Pension Reforms on Overall Financial Condition of the Pension Plans" herein.

FUNDING STATUS
PENSION FUND ACTUARIAL LIABILITIES AND ASSETS(1)
Actuarial Valuations as of July 1, 2012
(In Millions)

Pension Plan	Actuarial Value of Assets(2)	Actuarial Accrued Liability(3)	Unfunded Actuarial Accrued Liability(4)	Funded Ratio(5)	Market Value of Assets(6)
State					
PERS	$ 9,512.1	$ 19,383.6	$ 9,871.5	49.1%	$ 8,390.0
TPAF	31,214.2	52,637.3	21,423.1	59.3%	26,038.0
PFRS	2,074.1	4,027.0	1,952.9	51.5%	1,829.4
CP&FPF	6.3	8.0	1.7	78.8%	5.8
SPRS	1,969.8	2,767.8	798.0	71.2%	1,755.4
JRS	278.5	605.2	326.7	46.0%	243.7
POPF	9.0	5.4	(3.6)	167.6%	9.0
Subtotal	45,064.0	79,434.3	34,370.3	56.7%	38,271.3
Local					
PERS	19,374.5	26,009.0	6,634.5	74.5%	16,785.7
PFRS	21,500.5	27,705.2	6,204.7	77.6%	19,296.2
Subtotal	40,875.0	53,714.2	12,839.2	76.1%	36,081.9
Total	$85,939.0	$133,148.5	$47,209.5	64.5%	$74,353.2

Source: New Jersey Department of the Treasury, Division of Pensions and Benefits. Information was derived from the actuarial valuation reports as of July 1, 2012.

(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 2012 CAFR.

(2) The actuarial value of assets of each of the Pension Plans is set forth in the actuarial valuation relating to a Pension Plan and represents the market-related value of the assets held by the Pension Plan as adjusted to reflect various actuarial methods including the smoothing of actuarial losses and gains (including investment losses and gains) over a five-year period. The actuarial value of assets includes contribution receivables from the State and local participating employers, including additional contributions payable by the State and local employers to cover the cost of enhanced benefits offered under various early retirement incentive programs.

(3) The actuarial accrued liability of each of the Pension Plans is set forth in the actuarial valuation relating to a Pension Plan and is an estimate based on demographic and economic assumptions of the present value of benefits that the Pension Plan will pay during the assumed life expectancies of the applicable retired members and active members after they retire. The actuarial accrued liability represents the present value of all pension benefits accrued to date, including the present value of enhanced benefits from various early retirement incentive programs offered by the State and local employers.

(4) The UAAL of each of the Pension Plans is set forth in the actuarial valuation relating to a Pension Plan and reflects the amount of the excess of the actuarial accrued liability of a Pension Plan over its actuarial value of assets. The indicated amounts reflect the UAAL as calculated pursuant to the requirements of the Government Accounting Standards Board ("GASB") for purposes of presentation in the Comprehensive Annual Financial Report of the State ("CAFR"). These amounts differ immaterially from the UAAL of the Pension Plans calculated strictly pursuant to the actuarial methods required by State statutes and the actuarial assumptions adopted by the applicable Pension Plan boards.

(5) The Funded Ratio of each of the Pension Plans is presented in the actuarial valuation relating to a Pension Plan and reflects the quotient obtained by dividing the actuarial value of assets of the Pension Plan by the actuarial accrued liability of the Pension Plan. The indicated percentages reflect the Funded Ratio as calculated pursuant to the requirements of the GASB for purposes of presentation in the CAFR. These percentages differ immaterially from the Funded Ratios of the Pension Plans calculated strictly pursuant to the actuarial methods required by State statutes and the actuarial assumptions adopted by the applicable Pension Plan boards.

(6) The market value of assets as shown in the actuarial valuation reports for the Pension Plans and included in the table differs from the value of the investment portfolio of the Pension Plans as reported by the Division of Investment. 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 Plans, 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, 2006 through July 1, 2012
(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					
2006	$50,659.2	$67,266.3	$16,607.1	75.3%	$45,780.2
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
Local					
2006	$34,981.1	$43,181.5	$ 8,200.4	81.0%	$31,988.1
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

Source: New Jersey Department of the Treasury, Division of Pensions and Benefits. Information was derived from the actuarial valuation reports as of July 1, 2006 through July 1, 2012 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, 2013
(In Millions)

Pension Plan	Actuarially Recommended Contributions (1)	Expected Contributions (2)(5)	Amount Unfunded (3)(5)
State			
PERS	$ 924.4	$ 264.1	$ 660.3
TPAF	2,151.0	614.6	1,536.4
PFRS (4)	393.6	112.5	281.1
CP&FPF	0.9	0.9	0.0
SPRS	89.5	25.6	63.9
JRS	40.8	11.6	29.2
POPF	0.0	0.0	0.0
Subtotal	3,600.2	1,029.3	2,570.9
Local			
PERS	740.6	740.6	—
PFRS	750.0	750.0	—
Subtotal	1,490.6	1,490.6	—
Total	$5,090.8	$2,519.9	$2,570.9

Source: New Jersey Department of the Treasury, Division of Pensions and Benefits. Information regarding the actuarially recommended contributions was derived from the revised July 1, 2011 actuarial valuation reports for PERS, TPAF, PFRS, SPRS and JRS, which take into account changes to the investment return and salary growth assumptions, and the actuarial valuation reports as of July 1, 2011 for CP&FPF and POPF. Information regarding the expected contributions for the State is based on Chapter 1 which requires the State to make a contribution of at least 2/7th of the full actuarially recommended contribution in Fiscal Year 2013. However, the actual provision of the contribution each fiscal year is subject to appropriation by the State Legislature and, therefore, there can be no assurance that the State Legislature will make such appropriations in accordance with this law. Information with respect to the expected contributions of local governments was derived from the revised July 1, 2011 actuarial valuation reports for PERS and PFRS.

(1) The actuarially recommended contributions to the indicated Pension Plans in Fiscal Year 2013 are based on the information contained in the actuarial valuations for the Pension Plans as of July 1, 2011. The July 1, 2011 actuarial valuations for PERS, TPAF, PFRS, SPRS and JRS were revised to reflect changes to the economic assumptions. Specifically, the assumed rate of return on investments was lowered from 8.25% to 7.95%, and the salary growth assumption was lowered by an average of 2% for the next five years and 0.75% thereafter. As a result of these changes to the economic assumptions, the actuarially recommended contributions for the State decreased by $146.5 million from $3.747 billion to $3.600 billion, and the minimum 2/7th expected contribution decreased by $41.8 million from $1.071 billion to $1.029 billion. On the local employer side, the actuarially recommended contribution decreased by $108.0 million from $1.608 billion to $1.5 billion. The PERS and PFRS local employer pension contribution excludes early retirement incentive (ERI) contributions payable in Fiscal Year 2013 by local government employers who have adopted ERI programs for their employees.

(2) Pursuant to Chapter 1, the State's minimum contribution to the Pension Plans in Fiscal Year 2013 is 2/7th of the full actuarially recommended contribution amount. Such contributions to the Pension Plans by the State are subject to appropriation by the State Legislature. For local participating employers, full contributions based on the actuarially recommended amounts are expected.

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

(4) The expected contribution by the State to the PFRS includes contributions on behalf of local active and retired members to cover certain benefit enhancements. Of the total expected contribution of $112.5 million for Fiscal Year 2013, $48.8 million represents contributions on behalf of local participants.

(5) 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)	Expected Contributions (2)(5)	Amount Unfunded (3)(5)
State			
PERS	$1,050.1	$ 450.0	$ 600.1
TPAF	2,308.1	989.2	1,318.9
PFRS (4)	398.1	170.6	227.5
CP&FPF	0.9	0.9	0.0
SPRS	107.0	45.8	61.2
JRS	44.7	19.1	25.6
POPF	0.0	0.0	0.0
Subtotal	3,908.9	1,675.6	2,233.3
Local			
PERS	822.1	822.1	—
PFRS	750.2	750.2	—
Subtotal	1,572.3	1,572.3	—
Total	$5,481.2	$3,247.9	$2,233.3

Source: New Jersey Department of the Treasury, Division of Pensions and Benefits. Information regarding the actuarially recommended contributions was derived from the July 1, 2012 actuarial valuation reports. Information regarding the expected contributions for the State is based on Chapter 1 which requires the State to make a contribution of at least 3/7th of the full actuarially recommended contribution in Fiscal Year 2014. However, the actual provision of the contribution each fiscal year is subject to appropriation by the State Legislature and, therefore, there can be no assurance that the State Legislature will make such appropriations in accordance with this law. Information with respect to the expected contributions of local governments was derived from the July 1, 2012 actuarial valuation reports for PERS and PFRS.

(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. 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) Pursuant to Chapter 1, the State's minimum contribution to the Pension Plans in Fiscal Year 2014 is 3/7th of the full actuarially recommended contribution amount. Such contributions to the Pension Plans by the State are subject to appropriation by the State Legislature. For local participating employers, full contributions based on the actuarially recommended amounts are expected.

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

(4) The expected contribution by the State to the PFRS includes contributions on behalf of local active and retired members to cover certain benefit enhancements. Of the total expected contribution of $170.6 million for Fiscal Year 2014, $73.2 million represents contributions on behalf of local participants.

(5) Estimated.

AGGREGATE STATE & LOCAL EMPLOYER CONTRIBUTIONS TO PENSION PLANS
For the Fiscal Years Ending June 30, 2008 through June 30, 2014 (1)
(In Millions)

Fiscal Year Ending June 30,	Actuarially Recommended Contributions(2)	Actual and Expected Contributions(3)	Amount Unfunded
State			
2008	$ 2,089.8	$ 1,046.1	$ 1,043.7
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(4)	3,600.2	1,029.3	2,570.9
2014	3,908.9	1,675.6	2,233.3
Subtotal	$20,800.3	$ 4,341.8	$16,458.5
Local			
2008	$ 1,089.1	$ 993.4	$ 95.7
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(4)	1,490.6	1,490.6	—
2014	1,572.3	1,572.3	—
Subtotal	9,725.7	9,505.2	220.5
Total	$30,526.0	$13,847.0	$16,679.0

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, 2006 through July 1, 2012. Information regarding the actual contributions of the State for Fiscal Years 2008 through 2012 was provided by the Division of Pensions and Benefits. Information regarding expected contributions of the State for Fiscal Year 2013 is as set forth in the Fiscal Year 2013 Appropriations Act. Information regarding the expected contribution of the State for Fiscal Year 2014 is based on the Governor's Fiscal Year 2014 Budget Message. However, the actual provision of the contribution each fiscal year is subject to appropriation by the State Legislature and, therefore, there can be no assurance that the State Legislature will make such appropriations in accordance with the law. 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, 2006 through July 1, 2012.

(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 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.

(3) Pursuant to Chapter 1, the State's minimum contribution to the Pension Plans in Fiscal Year 2014 is 3/7th of the full actuarially recommended contribution amount, as determined based on the July 1, 2012 actuarial valuations. Such contributions to the Pension Plans by the State are subject to appropriation by the State Legislature. For local participating employers, full contributions based on the actuarially recommended amounts are expected.

(4) Revised to reflect changes to the investment return and salary growth assumptions used in the July 1, 2011 actuarial valuations for PERS, TPAF, PFRS, SPRS and JRS, which reduced the actuarially recommended contribution for the State by $146.5 million from $3.747 billion to $3.6 billion and the minimum 2/7th expected contribution by $41.8 million from $1.071 billion to $1.029 billion. On the local employer side, the actuarially recommended contribution decreased by $108.0 million from $1.599 billion to $1.491 billion.

Impact of Pension Reforms and the State's Funding Actions on Pension Plans. 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. See "FUNDING PENSION PLANS—*Current and Historical Contributions and Funding Status"* herein. 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 had an immediate impact on the overall funded status of the Pension Plans (see "FUNDING PENSION PLANS—*Pension and Health Benefit Reform* for a description of the pension reform changes.) 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. The increase in the overall Funded Ratio and reduction in the UAAL as of June 30, 2010 was primarily due to the suspension of cost-of-living adjustments on pension benefits as of July 1, 2011. Chapter 1, a pension reform enacted previous to the 2011 Pension and Health Benefit Reform Legislation, required the State to resume making contributions to the Pension Plans on a phased-in basis over a seven-year period beginning in Fiscal Year 2012. Under this phase-in approach, the State would begin making full actuarially recommended contributions to the Pension Plans beginning in Fiscal Year 2018.

A fundamental objective of the 2011 Pension and Health Benefit Reform Legislation was to improve the long-term solvency of the Pension Plans while slowing the rapid growth of governmental costs to fund the Pension Plans. The combination of increased employee contributions, the suspension of cost-of-living adjustments, benefit reductions and a commitment to a structured employer contribution schedule was intended to improve the funded level of the Pension Plans and reduce or minimize the growth in employer contribution requirements over a 30 year projected period. Incorporating the seven-year phase-in of the State's full actuarially recommended contributions to the Pension Plans pursuant to Chapter 1, the projected Funded Ratios of the Pension Plans after the enactment of the 2011 Pension and Health Benefit Reform Legislation were anticipated to decrease until Fiscal Year 2018. Beginning in Fiscal Year 2018, when the State is required to begin making the full actuarially recommendation contribution to the Pension Plans pursuant to Chapter 1 and as a result of the 2011 Pension and Health Benefit Reform Legislation, the Funded Ratio of the Pension Plans is projected to begin to improve steadily for the remainder of the 30 year projected period. If the 2011 Pension and Health Benefit Reform Legislation had not been enacted and based on the assumptions with respect to the Pensions Plans in place prior to the enactment of the 2011 Pension and Health Benefit Reform Legislation and the continued phase-in of contributions pursuant to Chapter 1, the State's full actuarially recommended contribution to the Pension Plans for Fiscal Year 2018, as of June 28, 2011, was projected to be \$5.5 billion, and the UAAL and Funded Ratio of the Pension Plans as of June 30, 2018 were projected to be \$65.7 billion and 40.5%, respectively. In contrast, based on current internal 30 year projections post-enactment of the 2011 Pension and Health Benefit Reform Legislation, if all of the assumptions of the Pension Plans are realized and the State continues the phased-in contributions provided for in Chapter 1, the State's actuarially recommended contribution for Fiscal Year 2018, which is the first year the State is assumed to make the full actuarially recommended contribution to the Pension Plans, is currently projected to be approximately \$4.8 billion and, as of June 30, 2018, the UAAL and Funded Ratio of the Pension Plans are projected to be \$41.6 billion and 52.3%, respectively.

The various reform measures are expected to positively impact State finances, lowering, over the long term, the actuarially recommended contributions required of the State from levels projected prior to the enactment of the 2011 Pension and Health Benefit Reform Legislation. After Fiscal Year 2018, the State expects the funded status of the Pension Plans will begin to improve and the UAAL will begin to decrease. These expectations assume the State will make full actuarially recommended contributions beginning in Fiscal Year 2018 and that the Pension Plans will otherwise have actual results that will match the assumptions of the Pension Plans. No assurance can be given as to the level of the State's investment returns or the State's pension contributions in future fiscal years or as to the achievement of the other assumptions.

In the short term, the State expects that the amount of its actuarially recommended contributions to the Pension Plans will substantially increase through Fiscal Year 2018. The main factors contributing to this short term increase are the phased-in contributions of the State to the Pension Plans pursuant to Chapter 1 and a change in the amortization method of the UAAL as set forth in the 2011 Pension and Health Benefit Reform Legislation. In addition, the UAAL of the Pension Plans is expected to increase and the overall Funded Ratio is expected to decrease through Fiscal Year 2018 resulting from the State making less than full actuarially recommended contribution and other factors, including the fact that the State still has a substantial unrecognized loss of $11.5 billion as of the July 1, 2012 actuarial valuations. To illustrate how the Funded Ratio has continued to deteriorate since the various pension reforms were enacted, between the July 1, 2010 actuarial valuations and the most recent July 1, 2012 valuation, the overall Funded Ratio of the State worsened and decreased from 65.2% to 56.7%. The deterioration of the financial condition of the Pension Plans in the short-term will increase the amount of future actuarially recommended contributions of the State, thus deferring a substantial portion of the State's current funding responsibilities to future Fiscal Years.

Impact of Financial Deterioration of Pension Plans on Benefit Payments. 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 2007 to Fiscal Year 2012 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 $12.0 billion from $86.9 billion to $74.9 billion, while total expenditures incurred by the Pension Plans over the same period increased by $2.7 billion from $6.0 billion to $8.7 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 6.9% for Fiscal Year 2007 to 11.63% for Fiscal Year 2012. It is likely that the Annual Expenditures to Net Assets Ratio will worsen and increase in future Fiscal Years. 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.

Although the accumulation of 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 resulting in changes to liabilities of the Pension Plans. Future increased contributions by the State in future Fiscal Years, depending on the magnitude, would likely create a significant burden on all aspects of the State's finances. No assurances can be given as to the level of the State's pension contributions in future fiscal years.

Risk Measures. 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, 2012 actuarial reports, which set forth the actuarial valuations as of June 30, 2012, 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 designated 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 2012 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 worsened and decreased by 16% from 8.1 to 6.8. Between June 30, 2010 and June 30, 2011, the ratio improved and increased by 1.3% from 8.0 to 8.1. For TPAF, between June 30, 2011 and June 30, 2012, the ratio of market assets to the prior year's benefit payment decreased by 10.7% from 8.4 to 7.5. Between June 30, 2010 and June 30, 2011, the ratio decreased by 3.4% from 8.7 to 8.4.

Litigation Affecting Pension Plans. See below under the captions "LITIGATION— *"—Powell v. State," "—Berg v. Christie" and "—New Jersey Education Association, et al. v. State of New Jersey, et al."* for a description of claims pending against the State relating to the pension reforms included in the 2011 Pension and Health Benefit Reform Legislation.

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 Year 2012, the State contributed $178.5 million to cover pension contributions and to provide funding for noncontributory group life insurance and long-term disability benefits. For Fiscal Year 2013, the Fiscal Year 2013 Appropriations Act includes $175.2 million as the State's contribution to the ABP to cover pension, noncontributory group life insurance, and long-term disability benefit costs. For Fiscal Year 2014, the Governor's Fiscal Year 2014 Budget Message includes $186.6 million to cover pension, noncontributory group life insurance, and long-term disability 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 and 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 2012, the State contributed $719,578, respectively, on behalf of enrolled State employees to cover pension benefit costs. For Fiscal Year 2013, the Fiscal Year 2013 Appropriations Act includes $902,000 as the State's contribution to the DCRP to cover pension benefit costs. For Fiscal Year, the Governor's Fiscal Year 2014 Budget Message includes $1,280,000 as the State's pension contribution to the DCRP. With regard to noncontributory group life and long-term disability insurance benefits, for Fiscal Year 2012, the State contributed $58,128 to cover noncontributory insurance benefit costs. The Fiscal Year 2013 Appropriations Act includes $310,000 as the State's contribution to cover such benefit costs. The Governor's Fiscal Year 2014 Budget Message includes $349,000 to fund noncontributory insurance 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. The State expended $67.5 million to cover noncontributory insurance benefit costs of the Pension Plans for Fiscal Year 2012. For Fiscal Year 2013, the Fiscal Year 2013 Appropriations Act includes $73.6 million for noncontributory insurance benefits costs. For Fiscal Year 2014, the Governor's Fiscal Year 2014 Budget Message includes $75.2 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. These changes include, but are not limited to, the requirement that pension liabilities and the annual actuarially required contribution be calculated using the entry-age normal actuarial cost method and a change required to the Pension Plans discount rate.

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 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 are 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.

FINANCING 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 reimbursement for covered retirees, spouses and dependents. In Fiscal Year 2012, the State paid PRM benefits for 126,604 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 2012, the State expended $1.255 billion to pay for PRM benefits for the eligible retirees in these groups mentioned above. For Fiscal Year 2013, the Fiscal Year 2013 Appropriations Act includes $1.424 billion to fund the pay-as-you-go PRM costs. For Fiscal Year 2014, the Governor's FY 2014 Budget Message includes $1.540 billion as the State's contribution to fund pay-as-you-go PRM costs.

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 July 2012, the Fiscal Year 2011 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, 2011, has been measured to be $48,949.7 million. An informational copy of the valuation report is posted on the Division of Pensions and Benefits' website at http://www.state.nj.us/treasury/pensions/financial-rprts-home.htm. GASB 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 43 Results($ millions) as of July 1, 2011		
	State	**Education-State**	**Total**
Actuarial Accrued Liability*			
Active	$10,134.4	$17,599.8	$27,734.2
Retired	$ 7,943.4	$13,272.1	$21,215.5
Total	$18,077.8	$30,871.9	$48,949.7

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 SHBP. The PRM actuarial accrued liability for the local governmental employers is $11.127.0 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 healthcare expenses would increase at rates ranging from 8.0% to 9.0% in Fiscal Year 2012 and decrease to a 5.0% long-term trend for all medical benefits after 7 or 9 years depending on the medical plan and (2) Aon Hewitt assumed that prescription drug expenses would increase at a rate of 9.0% for current retirees and 9.5% for future retirees in Fiscal Year 2012 and decrease to a 5.0% long-term trend rate after 9 years for current retirees and 10 years for future retirees. An informational copy of the valuation report is posted on the Division of Pensions and Benefits' website. 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, 2011 State of New Jersey, Postemployment Benefits Other Than Pension Actuarial Valuation. An informational copy of the valuation report is 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 l, 2006 through July I, 2010 are also posted on the web site.

SCHEDULE OF ACTUARIAL STATUS OF POST-RETIREMENT MEDICAL BENEFITS
Actuarial Valuations as of July 1, 2006 through July 1, 2011
(In millions)

Actuarial Valuation Date	Unfunded Actuarial Accrued Liability (UAA)	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
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

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, 2011. 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. 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 SHBP and the SEHBC approved the new plan design options on October 12, 2011. The new plan options were available to participants beginning January 1, 2012.

As shown in the *Schedule of Funding Progress for Post-Retirement Medical Benefits* above, the total unfunded actuarial accrued liability (UAAL) for post-retirement medical benefits for which the State is liable decreased by $10.332 billion between the July 1, 2010 and July 1, 2011 actuarial valuations from $59.282 billion to $48.950 billion. This reduction in the post-retirement medical UAAL is 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. Under the RDS program, the SHBP/SEHBP managed their own prescription drug plan and received periodic reimbursements from the federal government for a portion of the retiree prescription drug costs. In accordance with GASB requirements, these reimbursements were not reflected in the postretirement medical UAAL. Under the EGWP program, the SHBP/SEHBP became an official Medicare Part D plan, which entitles the State to larger subsidy payments from the federal government than provided under the RDS program as well as manufacturer reimbursements. 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 is 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.

Disability Rights New Jersey et al. v. Jennifer Velez (II). Plaintiff, DRNJ and two clients of DHS, Division of Developmental Disabilities filed this action on September 29, 2005. On October 7, 2005, Plaintiff served defendant, Commissioner of Human Services ("Commissioner") with a summons complaint and waiver of service. The Plaintiff alleges that the Department is in violation of Title II of the Americans With Disabilities Act (the "ADA"), as interpreted in *Olmstead v. L.C.*, 527 *U.S.* 581 (1999), Section 504 of the Rehabilitation Act and the Medicaid Act. The Plaintiff is seeking declaratory and prospective injunctive relief, attorneys fees, litigation expenses and other relief. More specifically, the Plaintiff seeks community placements for the people that Plaintiff alleges are in State-operated developmental centers while awaiting community placement. The State filed its answer on December 5, 2005.

On February 1, 2008, the Plaintiff filed an amended complaint, alleging that the Commissioner is in violation of the Fourteenth Amendment of the United States Constitution and the ADA because the Commissioner fails to provide for commitment hearings before a developmentally disabled individual is admitted to a State developmental center and fails to provide for on-going commitment hearings during an individual's continued residence at a State developmental center. In addition, the Plaintiff sought injunctive relief requiring that the State conduct hearings on notice and with representation for the developmentally disabled individual prior to admission and annually thereafter. Pursuant to L. 2006, c. 61, on May 21, 2007, DHS submitted to the State Legislature an eight-year plan to make community placements for all people who are assessed to be appropriate for community placement and wish to be so placed. The State filed its answer on June 4, 2007. On March 25, 2010, both parties moved for summary judgment. On September 24, 2010, both parties' motions were denied by the court. On February 3, 2011, the Plaintiff filed a motion to amend the complaint, seeking to add three new plaintiffs. On April 7, 2011, the court permitted the Plaintiff to amend the complaint and add two new plaintiffs. On April 21, 2011, Plaintiff filed a second amended complaint. On May 26, 2011, DHS filed an answer to the second amended complaint. *Disability Rights New Jersey et al. v. Jennifer Velez (II*) and *Disability Rights New Jersey v. Jennifer Velez (III)* have both been settled in one agreement which was fully executed on February 26, 2013, and filed with the court on March 4, 2013. The parties agreed to a pace by which the State will transition eligible individuals from receiving care in State developmental centers to receiving care in community-based settings, with the federal government reimbursing the State for approximately one-third of the costs.

Disability Rights New Jersey v. Jennifer Velez (III). Plaintiff, DRNJ filed suit on April 23, 2008 against the Commissioner of DHS seeking relief for individuals who are eligible for services from DHS, seeking reformation of the DHS's Home and Community Based Waiver services, which are implemented by the Department pursuant to State and federal law. Part of that cost is borne by the federal government as part of the New Jersey Community Care Waiver, which is part of the State's Medicaid plan. DRNJ alleges that there are approximately 8,000 developmentally disabled persons on the waiting list for community placements. Although both State law and the Medicaid Act allow waiting lists, DRNJ's suit, brought under 42 *U.S.C.A.* § 1983, alleges that the waiver program, as currently utilized, violates Title II of the ADA, Section 504 of the Rehabilitation Act, and Sections 1396a(a)(8) and 1396n(c)(2)(C) and (d)(2)(c) of the Medicaid Act. DRNJ sought an injunction requiring the State to provide the community services within specified reasonable time frames and to eliminate the waiting list within 3 years, as well as other relief, attorneys' fees other and costs. The State filed a motion for a more definite statement and to strike portions of the complaint, which motion was granted by the court on September 9, 2008. DRNJ filed an amended complaint on September 26, 2008. The State filed a motion to dismiss the complaint on December 31, 2008. The United States Attorney's Office was notified of the federal constitutional challenges involved in the motion to dismiss and filed a brief in opposition on June 29, 2009. On July 23, 2009, the court denied the State's motion to dismiss the complaint. This matter has settled as more fully described above.

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 asserts 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 alleges that DEP is responsible for unpermitted discharges of landfill pollutants into FiberMark's waste water treatment lagoon #1 at Warren Glen from a neighboring landfill. FiberMark also claims 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 case, *FiberMark North America Inc. v. Jackson*, previously filed in the United States District Court. The State filed its answer to FiberMark's complaint filed in State court on June 23, 2008. The trial on this matter began on May 4, 2009. At the conclusion of FiberMark's presentation of its case on May 7, 2009, DEP moved to dismiss the matter, which the court granted. On May 26, 2009, Fibermark filed several motions with the court. Fibermark also 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 court to decide the motions previously filed with the court. By order dated September 18, 2009, the Appellate Division temporarily remanded the matter for 30 days to the court, for the trial judge to rule on the post-judgment motions previously filed with the court. On October 23, 2009, the court issued a decision from the bench denying FiberMark's motions. On October 28, 2009, the trial judge issued a written Supplemental Memorandum of Decision on Motion. This matter was returned to the Appellate Division. Oral argument was held on May 3, 2011. 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 claims. In addition, the panel affirmed 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. Specifically, the Appellate Division concluded that the issue of whether DEP's actions to stop the leachate flow were reasonable could not be resolved against FiberMark in the context of a motion to dismiss. The Appellate Division also ruled 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.

FiberMark filed a notice of petition for certification with the Supreme Court on August 24, 2011 and, on September 19, 2011, the Supreme Court notified the parties that the FiberMark notice of petition for certification was filed out of time. 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 15, 2012, a jury trial commenced in this matter. 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. The trial court denied FiberMark's motion for a new trial on April 27, 2012. On June 18, 2012, FiberMark filed a notice of appeal. Briefing of this matter has commenced, but is currently tolled pending submission of a brief acceptable to the Appellate Division by FiberMark. 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, 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. The dismissal of these claims against the State, as third party defendant, and against DEP were embodied in an order dated May 11, 2011.

On January 26, 2011, the Special Master recommended the denial of the motions of NJDOT and NJDA to dismiss portions of the third party complaint filed by Maxus and Tierra. NJDOT and NJDA filed motions to appeal the Special Master's recommendation during February 2011. In April 2011, the court upheld the recommendations of the Special Master and denied NJDOT, NJDA and other third party defendants' motions to dismiss. On May 25, 2011, the Appellate Division granted certain third party defendants' requests for leave to appeal the court's denials of the motions to dismiss. The third party defendants filed motions to stay the trial proceedings with the court, but the court denied those motions. The third party defendants thereafter filed motions to stay proceedings at the trial level with the Appellate Division, which denied those motions on September 6, 2011. The denials of the motions to dismiss were affirmed by the Appellate Division on April 24, 2012. On September 21, 2012, the court ordered a ninety day stay of certain third party proceedings, including those against NJDOT and NJDA, pending the outcome of settlement negotiations. This stay has been continued until further order of the court.

On July 19, 2011, the court ruled that Occidental, as the successor to Diamond Shamrock Chemicals Company ("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. The damages phase of this litigation has been stayed until further order of the court.

The trial of Plaintiffs' and Occidental's fraudulent conveyance/alter ego claims against Repsol and YPF will be tried in February, 2014. Both the Plaintiffs and Occidental have alleged that Repsol and YPF committed a fraud upon both parties by systematically stripping assets from Maxus and leaving it unable to satisfy any Passaic River cleanup liabilities that may be imposed upon Maxus. On January 22, 2013, attorneys for the State and approximately 265 Third-Party Defendants informed the court that they reached preliminary agreement on a proposed Consent Judgment to settle certain claims. On February 14, 2013, attorneys for the State and all of the original defendants except Occidental informed the court that they had agreed on a confidential term sheet setting forth a framework to resolve the claims between them. By way of order dated February 14, 2013, the court provided the parties with sixty days to negotiate the settlement agreement. On March 26, 2013, the Third-Party Defendants and the DEP reported to the court that a requisite number of Third-Party Defendants had approved the settlement as embodied in the proposed Consent Judgment. The Consent Judgment will now be subject to an extensive administrative and judicial approval process that will culminate in a fairness hearing before the court sometime in late 2013. 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, including Article I, Section 19 (Right to Organize Clause), Article IV, Section 7, Para. 9 (Special Legislation Clause), Article IV, Section 6, Para. 1 (Taxation Clause), Article VIII, Section 1, Para. 7 (Bill Origination Clause) and Article VI, Section 6, Para. 6 (Diminution Clause of Judicial Compensation Clause). 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. Oral argument on the State Executive Branch Defendants' motion to dismiss was scheduled for September 28, 2012. However, on September 27, 2012, Judge Baldwin adjourned on his own initiative, the oral argument on the State Executive Defendants' motion to dismiss. Judge Baldwin also adjourned on his own initiative the hearing on the State Executive Defendants' motion to dismiss. On March 8, 2013, the court granted the State Executive Defendants' motion to dismiss. The State is vigorously defending this matter.

Berg v. Christie. On December 2, 2011, a number of retired Deputy Attorneys General and retired Assistant Attorneys General 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. Plaintiffs' opposition brief and cross-motion for summary judgment was filed on March 16, 2012. 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 20, 2012, the Plaintiffs and the State submitted letters opposing NJEA's motion to participate as an intervenor or amicus. 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 Berg 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. This matter is now being briefed by the parties. The State is vigorously defending this matter.

New Jersey Education Association, et al. v. State of New Jersey, et al. Plaintiffs, active and retired members of PERS, PFRS, and TPAF, challenge the constitutionality of Chapter 78, claiming the suspension of cost of living adjustments, increased pension contributions, delegation of authority to pension committees, and increased contributions for medical benefits in retirement violate the State and federal constitutions. Additionally, the plaintiffs challenge Chapter 78 on constitutional grounds, including impairment of contract, substantive and procedural due process, takings, and promissory estoppel. Plaintiffs seek declaratory and injunctive relief. On April 12, 2012, Plaintiffs filed a complaint in the Law Division, Mercer County in which they raised all of the same claims that they had raised in federal court, with the exception of the underfunding of the pension systems which had been previously litigated and lost. The State's responsive pleading was filed on May 17, 2012. The parties agreed to hold the new State case in abeyance pending the Law Division's decision in *Berg v. Christie* (see above). The Court ordered the parties to submit letters regarding whether the case should continue to be held in abeyance pending resolution of all appeals in *Berg v. Christie*. The State's submission was made on July 9, 2012; NJEA's submission was made on July 27, 2012. On August 24, 2012, Plaintiffs filed an Amended Complaint dismissing their claims regarding the temporary suspension of pension adjustments. On October 5, 2012, the State filed a motion to dismiss the complaint that the NJEA filed in the Law Division challenging the increased pension and health care contributions mandated by Chapter 78. Oral argument on the State's motion to dismiss was held on February 21, 2013. The State is vigorously defending 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. The Tax Court found that, on its face, this rule did not violate any of the constitutional provisions raised. Taxpayers' "as-applied" challenges remain. The taxpayers sought interlocutory review in the Appellate Division, which was denied. 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. All parties briefed the facial constitutionality issue and the Appellate Division heard oral argument on November 16, 2009. 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 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. On May 4, 2011, the Whirlpool matter was argued before the Supreme Court. 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 of New Jersey. Discovery in this matter is ongoing with respect to Whirlpool's "as applied" constitutional challenge. Whirlpool has filed a motion for partial summary judgment. 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. The case is currently in discovery. 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. The State filed its answer on March 5, 2012. The court gave a preliminary ruling in favor of New Cingular with a published opinion expected in March 2013. 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.

Challenges to L. 2010, c. 25. On September 23, 2010, American Express Travel Related Services Company, Inc. ("AMEX") filed suit against the State Treasurer and State's Unclaimed Property Administrator (the "State Defendants") challenging the establishment of an abandonment period for travelers checks under the State's unclaimed property laws enacted as part of *L.* 2010, *c.* 25 ("Chapter 25") as unconstitutional under the

Contracts Clause, the Commerce Clause, the Due Process and Takings Clause of the Fifth Amendment and the Fourteenth Amendment of the United States Constitution and seeking injunctive relief against the State Defendants from enforcing Chapter 25. On November 13, 2010, the U.S. District Court ruled on AMEX's order to show cause and found that AMEX failed to establish a reasonable likelihood of success on its claims challenging the provisions of Chapter 25 which are applicable to travelers checks. On November 15, 2010, the U.S. Court of Appeals for the Third Circuit (the "Third Circuit"), on motion by AMEX, granted a preliminary injunction. In a related matter, on September 30, 2010, the New Jersey Retail Merchants Association ("NJRMA") filed suit against the State Defendants challenging the revisions to the priority scheme applicable to gift cards, gift certificates, stored value cards and stored value certificates as void and unenforceable under the priority scheme doctrine established under *Texas v. New Jersey*, 379 U.S. 674 (1965), to determine which state could escheat abandoned intangible property, as unconstitutional under the Contracts Clause, the Takings Clause of the Fifth Amendment and the Due Process Clause of the Fourteenth Amendment and seeking injunctive relief against the State Defendants from enforcing Chapter 25.

In subsequently filed related matters, on October 5, 2010, the New Jersey Food Council ("Food Council") and on October 11, 2010, American Express Prepaid Card Management Corporation ("AMEX PCMC") filed separate suits against the State Defendants challenging the reduction in the abandonment period for gift cards and stored value cards under the State's unclaimed property laws enacted as part of Chapter 25 as in violation of the federal CARD Act (15 *U.S.C.* 16931-1) which precludes the issuers of gift cards from imposing expiration dates earlier than five years, challenging the revisions to the priority scheme applicable to gift cards and stored value cards as void and unenforceable under the priority scheme doctrine established under *Texas v. New Jersey*, as unconstitutional under the Contracts Clause, Takings Clause and Due Process Clause of the State Constitution, as unconstitutional under the Contracts Clause, the Takings Clause and Due Process Clause of the Fifth and Fourteenth Amendments of the United States Constitution and seeking injunctive relief against the State Defendants from enforcing Chapter 25.

On October 25, 2010, Merchants Express Money Order Company, Inc. ("MEMO") filed suit against the State Defendants challenging the provisions of Chapter 25 applicable to money orders. MEMO alleges that the provisions of Chapter 25 applicable to money orders is unconstitutional under the Contracts Clause, Takings Clause and Due Process Clause of the State Constitution, unconstitutional under the Contracts Clause, the Takings Clause and Due Process Clause of the Fifth and Fourteenth Amendments of the United States Constitution and is seeking injunctive relief against the State Defendants from enforcing Chapter 25. On November 18, 2010, the U.S. District Court denied MEMO's motion for preliminary injunctive relief. MEMO immediately filed a notice of appeal. Subsequent to MEMO filing its notice of appeal, MEMO and the State Defendants reached a settlement of this and two other matters pending in State court. Pursuant to the settlement, MEMO will report unclaimed money orders to the State according to the period of abandonment established in Chapter 25, subject to deduction of applicable service fees.

On November 13, 2010, the U.S. District Court concluded that the remaining plaintiffs established a reasonable likelihood of success on the federal preemption and Contracts Clause claims and enjoined: (a) the place of purchase presumption of Chapter 25, and as administered by subsequent State Treasurer guidance; and (b) the retroactive application of the unclaimed property laws to stored value cards redeemable only for goods and services (i.e. not redeemable for cash). On December 7, 2010, the State Defendants appealed those aspects of the November 13th Order related to stored value cards to the Third Circuit. On January 31, 2011, the Third Circuit enjoined the requirement that businesses selling stored value cards collect the zip code information from purchasers pending consideration of the issue by the full panel. On February 8, 2011, the Third Circuit granted the motions for stays pending appeal in the AMEX, NJRMA, Food Council and AMEX PCMC matters. On January 5, 2012, the Third Circuit affirmed the U.S. District Court's opinion. On April 5, 2012, the Third Circuit stayed its decision affirming the U.S. District Court's opinion pending the filing and disposition of a petition for writ of certiorari to the U.S. Supreme Court. AMEX filed their petition for writ of certiorari on July 23, 2012. The U.S. Supreme Court denied AMEX's petition for writ of certiorari on October 1, 2012. In addition, the U.S. Supreme Court denied the State's petition for writ of certiorari in the Food Council and AMEX PCMC matter on October 29, 2012.

James Liik, et al v. N.J. Dept of Corrections and Civil Service Commission. This matter was filed in the Mercer County, New Jersey Superior Court, Law Division in November 2009 (the "2009 Case"). The Liik plaintiffs, five senior corrections officers and PBA Local 105, filed a complaint on their own behalf and all similarly situated individuals, demanding lost wages and benefits they allegedly would have received but for their improper designation as non-employee trainees under a 1998 pilot program that established correction officer recruit trainee as a new job classification. Recruit trainees under the program were considered students, rather than regular employees, and they were paid a weekly stipend while in training, rather than the salary of a corrections officer recruit. The complaint alleged a violation of constitutional due process principles, a violation of state statutory civil rights protections, a breach of a statutory and regulatory contract, a breach of a quasi-contract, a breach of an implied in fact contract and that the 1998 pilot program unjustly enriched the State because of the failure of the State to pay wages and benefits of a regular employee to recruit trainees. The complaint also demands punitive damages, as well as attorney fees and costs.

This action was filed shortly after the Appellate Division decision in *James Liik, et al. v. New Jersey Department of Personnel and New Jersey Department of Corrections*. The prior complaint asserted that the defendants acted outside their authority by designating plaintiffs and paying them as recruit trainees allegedly in violation of provisions of the Civil Service Act, the Administrative Procedure Act and the federal Fair Labor Standards Act. In July 2009 (the "2009 Case"), the Appellate Division ruled that the 1998 pilot program was statutorily authorized for one year and that the program could not continue beyond one year without rulemaking. Accordingly, the court held that the program was void after one year because it had not been continued by regulation. No damages were awarded in the prior action. The prior action has been concluded and is not subject to appeal.

The State defendants filed motions to dismiss the complaint in the 2009 Case and the Liik plaintiffs filed a cross-motion for summary judgment. The trial court dismissed all causes of action, except for the implied in fact contract claim and judgment in favor of the plaintiffs was entered on this claim. In addition, the trial court granted a motion by the Liik plaintiffs to certify the lawsuit as a class action consisting of all recruit trainees during the years 1999 to 2009. On August 18, 2011, the State filed a motion for leave to appeal the trial court's order denying the State's motion to dismiss the complaint in its entirety and the granting of summary judgment to the plaintiffs on the their implied in fact contract claim. On October 7, 2011, the Appellate Division denied the State's motion for leave to appeal. Discovery is continuing on the issue of damages on the implied in fact contract claim. The State filed a motion for partial summary judgment on the issue of damages on April 11, 2012. The State is vigorously defending 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. Oral argument in this matter was held on July 13, 2012. 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. On September 6, 2012, FSHC served a motion for summary disposition, or in the alternative, preliminary injunction. In response, the State filed a cross-motion for summary judgment. The Appellate Division denied both motions by order dated October 24, 2012. Subsequently, the Appellate Division granted motions by the League of Municipalities and several towns to intervene. The State is vigorously defending these matters.

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. Oral argument was held on May 14, 2001. 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 have 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. The DEP has initiated the reconsideration process pursuant to the regulations. 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"). Currently, these audits span time periods between July 27, 2003 and December 31, 2007. 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.

At any given time, there are various numbers of claims and cases pending against the University of Medicine and Dentistry and its employees, seeking recovery of monetary damages that are primarily paid out of the 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 $149,400,000 for tort and medical malpractice claims pending as of December 31, 2011. In addition, at any given time, there are various numbers of contract and other claims against the University of Medicine and Dentistry, 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.

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APPENDIX I-A

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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, 2012 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
2012

Company	New Jersey Employees
Wakefern Food Corp.	35,952
Wal-Mart Stores, Inc.	17,888
Verizon Communications	15,800
UPS	14,788
Johnson & Johnson	13,500
United Continental Holdings	13,440
Caesar's Entertainment	13,065
The Great Atlantic & Pacific Tea Co. (A&P)	12,373
Bank of America	12,000
The Home Depot	10,850
Merck & Company, Inc.	10,000
AT&T, Inc.	9,931
PSEG	9,800
TD Bank	8,510
Target Corporation	8,500
CVS Caremark	8,300
Macy's	8,100
Prudential Financial, Inc.	8,003
FedEx	7,936
The Stop & Shop Supermarket Co.	7,928
Wawa, Inc.	7,154
Bristol-Myers Squibb Company	6,454
Wells Fargo	6,200
Lowe's Companies Inc.	6,173
Borgata Hotel Casino & Spa	6,115
Bed Bath & Beyond	6,000
JP Morgan Chase & Company	5,800
Lockheed Martin	5,600
Bayada Home Health Care	5,236
Horizon BCBS of NJ	5,100

Source: New Jersey Business Magazine, August 2012

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
2000-2012 (Dollars in Millions)

	Total Personal Income			
Calendar Years	New Jersey	New York	Pennsylvania	United States
2000	$325,986	$ 657,894	$369,919	$ 8,554,866
2001	336,606	676,980	377,374	8,878,830
2002	341,558	678,393	387,664	9,054,702
2003	347,692	695,392	399,547	9,369,072
2004	365,260	741,167	417,791	9,928,790
2005	379,650	786,512	432,248	10,476,669
2006	411,429	851,437	462,704	11,256,516
2007	436,120	915,526	489,076	11,900,562
2008	454,206	949,250	512,992	12,451,660
2009	430,956	902,385	496,664	11,852,715
2010	443,742	952,673	514,352	12,308,496
2011	462,495	995,185	538,909	12,949,905
2012	475,393	1,019,514	556,692	13,401,869

	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	103.3	102.9	102.0	103.8
2002	104.8	103.1	104.8	105.8
2003	106.7	105.7	108.0	109.5
2004	112.0	112.7	112.9	116.1
2005	116.5	119.5	116.8	122.5
2006	126.2	129.4	125.1	131.6
2007	133.8	139.2	132.2	139.1
2008	139.3	144.3	138.7	145.6
2009	132.2	137.2	134.3	138.5
2010	136.1	144.8	139.0	143.9
2011	141.9	151.3	145.7	151.4
2012	145.8	155.0	150.5	156.7

Source: U.S. Department of Commerce, Bureau of Economic Analysis as of March 27, 2013.
Note: Historical numbers may differ from prior reports because of the 2009 Comprehensive Revision of National Income and Product Amounts.

TABLE IV

2011 PER CAPITA PERSONAL INCOME FOR NEW JERSEY, SELECTED NEIGHBORING STATES AND THE UNITED STATES

	2010 Amount	2011 Amount	2011 Percent of National Average	Rank United States	Percent Change 2010 - 2011
United States	39,791	41,560	100.0%	—	4.4%
New Jersey	50,428	52,430	126.2	3	4.0
New York	49,119	51,126	123.0	4	4.1
Pennsylvania	40,444	42,291	101.8	20	4.6

Source: U.S. Department of Commerce, Bureau of Economic Analysis as of Sept 25, 2012.
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 2009 Comprehensive Revision of National Income and Product Amounts.

TABLE V

PER CAPITA PERSONAL INCOME NEW JERSEY, SELECTED NEIGHBORING STATES AND THE UNITED STATES 2000-2012

	Per Capita Personal Income			
Calendar Years	New Jersey	New York	Pennsylvania	United States
2000	$38,667	$34,623	$30,113	$30,319
2001	39,635	35,476	30,683	31,157
2002	39,936	35,448	31,438	31,481
2003	40,423	36,264	32,288	32,295
2004	42,302	38,660	33,664	33,909
2005	43,880	41,108	34,719	35,452
2006	47,500	44,567	36,984	37,725
2007	50,256	47,852	38,927	39,506
2008	52,141	49,408	40,674	40,947
2009	49,221	46,739	39,210	38,637
2010	50,428	49,119	40,444	39,791
2011	52,430	51,126	42,291	41,560
2012	53,628	52,095	43,616	42,693

	Per Capita Personal Income As A Percent of United States			
Calendar Years	New Jersey	New York	Pennsylvania	United States
2000	127.5%	114.2%	99.3%	100.0%
2001	127.2	113.9	98.5	100.0
2002	126.9	112.6	99.9	100.0
2003	125.2	112.3	100.0	100.0
2004	124.8	114.0	99.3	100.0
2005	123.8	116.0	97.9	100.0
2006	125.9	118.1	98.0	100.0
2007	127.2	121.1	98.5	100.0
2008	127.3	120.7	99.3	100.0
2009	127.4	121.0	101.5	100.0
2010	126.7	123.4	101.6	100.0
2011	126.2	123.0	101.8	100.0
2012	125.6	122.0	102.2	100.0

Source: U.S. Department of Commerce, Bureau of Economic Analysis as of March 27, 2013.
Note: Historical numbers may differ from prior reports because of the 2009 Comprehensive Revision of National Income and Product Amounts.

TABLE VI

WAGE AND SALARY WORKERS IN NONAGRICULTURAL ESTABLISHMENTS ANNUAL AVERAGES BY NAICS INDUSTRY DIVISIONS, NEW JERSEY, 2000-2012 (In thousands)

Year	Total Non-farm Employment	Manufacturing	Natural Resources & Mining	Construction	Trade, Transportation & Utilities	Information	Financial Activities	Services and Miscellaneous*	Government
2000	3,994.6	421.6	2.0	149.5	899.2	127.0	266.9	1,539.6	588.8
2001	3,996.3	401.1	1.8	158.8	890.7	126.4	269.8	1,545.0	602.6
2002	3,983.6	367.5	1.6	162.6	881.4	113.2	276.7	1,567.1	613.5
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

Note: Historical numbers may differ from prior reports because of the 2009 Comprehensive Revision of National Income and Products Amounts.

* 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.

TABLE VII

AVERAGE ANNUAL UNEMPLOYMENT RATES NEW JERSEY AND UNITED STATES 2001-2012

Calendar Years	New Jersey	United States
2001	4.3%	4.7%
2002	5.8%	5.8%
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	9.4%	8.9%
2012	9.5%	8.1%

Source: U.S. Department of Labor, Bureau of Labor Statistics, Data Base & Tables, Unemployment.

TABLE VIII

AVERAGE HOURLY WAGES (NAICS)
PRODUCTION WORKERS ON MANUFACTURING PAYROLLS
NEW JERSEY AND SELECTED NEIGHBORING STATES
2001-2012

Calendar Years	New Jersey	New York	Pennsylvania
2001	14.74	16.24	14.37
2002	15.19	16.75	14.75
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	19.23	18.61	18.26

Source: U.S. Department of Labor, Bureau of Labor Statistics.

TABLE IX

NEW VEHICLE SALES
NEW JERSEY
2002-2012

	Total Vehicles		
Calendar Years	Annual	Monthly Average	% change
2002	610,422	50,869	—
2003	627,499	52,292	2.8%
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%

* 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: 2012

	New Jersey		United States	
	No. of Jobs(000)	**% of Total**	**US Jobs(mil.)**	**% of Total**
Total Nonfarm	3,895.8	100.0%	133.7	100.0%
Manufacturing	245.4	6.3	11.9	8.9
Natural Resources & Mining	1.3	0.0	0.9	0.6
Construction	130.4	3.3	5.6	4.2
Trade, Transportation and Utilities	822.7	21.1	25.5	19.1
Information	77.5	2.0	2.7	2.0
Financial Activities	249.0	6.4	7.8	5.8
Services	1,749.4	44.9	57.4	42.9
Government	620.2	15.9	21.9	16.4

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.

TABLE XI

DOLLAR AMOUNT OF ANNUAL NONRESIDENTIAL CONSTRUCTION AUTHORIZED BY BUILDING PERMITS, 2005 TO 2012

Calendar Year	Estimated Nonresidential Costs ($M)	% Change
2005	6,241.7	—
2006	7,287.1	16.7%
2007	7,054.5	-3.2%
2008	7,968.1	13.0%
2009	4,971.4	-37.6%
2010	4,811.5	-3.2%
2011	6,091.8	26.6%
2012	5,576.1	-8.5%

Source: New Jersey Department of Community Affairs.

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. *P.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. *P.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. *P.L.* 2004, *c.* 128.

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. *P.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. *P.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. *P.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. *P.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. *P.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 (*P.L.* 2002, *c.* 128) replaces the former Litter Control Tax imposed on certain litter-generating products. See discussion of **"Litter Control Tax"** below. As amended, the Litter Control Tax was scheduled to expire on December 31, 2000 (*P.L.* 1995, *c.* 301). The Clean Communities and Recycling Grant Act, affirms the Legislature's intent to repeal the Litter Control Tax. (*P.L.* 2002, *c.* 128, § 12).

The Clean Communities and Recycling Grant user fee 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. (*P.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, *P.L.* 2002, *c*. 40).

The CBT is imposed on every corporation, including S corporations (*P.L.* 1993, *c.* 173) not expressly exempted by statute, real estate investment trusts (*P.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. *P.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, *P.L.* 2008, *c.* 120 eliminates the throw-out provision in the apportionment formula. *P.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. *P.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. *P.L.* 2008, *c*. 120.

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. *P.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 71/2% for taxpayers with entire net income of $100,000 or less (*P.L.* 1995, *c*. 246). For corporations with entire net income less than $50,000, the rate is 6½%.

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 $5,000,000, 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, 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. *P.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. *P.L.* 1997, *c*. 40. The rates for S corporation income of $100,000 or more expire July 1, 2007. *P.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. *P.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. *P.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. *P.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. *P.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. *P.L.* 2004, *c.* 47. With respect to privilege periods beginning in the 2006 calendar year, Net Operating Loss deductions return to full deductibility. *P.L.* 2004, *c.* 47. In addition, under *P.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, *P.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.

For privilege periods after December 31, 2004, *P.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 (*P.L.* 2005, *c.* 127, effective July 6, 2005).

For privilege periods beginning after December 31, 2008 and before January 1, 2011, *P.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.

P.L. 2012, *c.* 25, 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 $2.5 billion.

P.L. 2013, *c.* 19, 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

P.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. *P.L.* 2004, *c.* 53.

P.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. *P.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. *P.L.* 1997, *c*. 167.

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

This act (*P.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.

P.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 12½% 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 (*P.L.* 1989, *c.* 219) or other retirement income, such as income from IRC § 401(k), 403, 414, 457 Plans (*P.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. *P.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. *P.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. *P.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 (*P.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. *P.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 (*P.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 (*P.L.* 1997, *c.* 414). Roth IRA's also receive favorable tax treatment. *P.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. *P.L.* 1993, *c.* 210; *P.L.* 1998, *c.* 79. Beginning January 1, 2001 military pension and survivor benefits respecting service in the United States Armed Forces are included. *P.L.* 2001, *c.* 84. However, for taxable years beginning on or after January 1, 2004, *P.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." *P.L.* 1996, *c.* 60. Among the key provisions of *P.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. *P.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 *P.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.

P.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). *P.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. *P.L.* 2010, *c.* 27.

P.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. *P.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.

P.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. *P.L.* 2004, *c.* 55. *See also*, summary of *P.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. *P.L.* 2004, *c.* 139.

For the same taxable periods, *P.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 (*P.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 (*P.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. *P.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 *P.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. *P.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. *P.L.* 2009, *c.*69.

P.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

P.L. 2004, *c.* 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 Act 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 *P.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 of the act became effective on June 30, 2004. Section 2 of the act 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. *P.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. *P.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 2011 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 2011 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 2013, only applicants whose income for the 2010 tax year did not exceed $80,000 and whose income for the 2011 tax year did not exceed $70,000 are eligible to receive a 2011 PTR provided they met all the other program requirements. Residents whose 2011 income was over $70,000 but not over $80,000 will not receive PTRs for 2011. However, by filing a 2011 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 *P.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. *P.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 *P.L. 2003, c. 114*, plus the Sales and Use Tax and any tax and assessment imposed under *P.L. 1992, c. 165,* section 4 cannot exceed 14% (*P.L.* 2006, *c*. 44). In municipalities with existing hotel taxes pursuant *P.L. 1981, c. 77*, the law provides that the State will receive a 1% hotel and motel occupancy fee. *P.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 *P.L.* 2003, *c.* 114 (C. 40:48F-1), and may charge an additional 2 percent 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. *P.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. *P.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. *P.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 the Act 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 *P.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 (*P.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.

P.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, the act 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.

P.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.

P.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 Tax

The Litter Control Tax is imposed on all gross receipts from sales of litter-generating products sold within New Jersey by every person engaged in business in this State. Originally set to expire on December 31, 1991 (*P.L.* 1986, *c.* 187), the expiration date of this tax has been extended to expire on December 31, 2000 (*P.L.* 1995, *c.* 301). Any retailer with less than $250,000 in annual retail sales of litter-generating products is exempt from the tax. *P.L.* 1985, *c.* 533.

The user fee imposed on sales of certain litter-generating products under the Clean Communities and Recycling Grant Act (*P.L.* 2002, *c.* 128) replaces the former Litter Control Tax. See discussion "Clean

Communities and Recycling Grant User Fee," above. As amended, the Litter Control Tax was scheduled to expire on December 31, 2000 (*P.L.* 1995, *c.* 301). The Clean Communities and Recycling Grant Act affirms the Legislature's intent to repeal the Litter Control Tax. (*P.L.* 2002, *c.* 128, § 12).

Former 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

P.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," *P.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. *P.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, *P.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; *P.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. *P.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. *P.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. *P.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. *P.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:* 23/4%. For fuel oil, aviation fuel and motor fuels, tax is fixed at $0.04 a gallon. *P.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. *P.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, *P.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). *P.L.* 2004, *c.* 66.

Pursuant to *N.J.S.A.* 46:15-7.1, a supplemental fee is imposed under the Act 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. *P.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. *P.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. *P.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 *P.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. *P.L.* 2006 *c.* 66. Pursuant to Section 9 of *P.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, *P.L.* 2005, *c.* 19, amended the one percent 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). *P.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 *P.L.* 2006 did not alter *P.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.

Roadside Sign Control and Outdoor Advertising Fee

Effective July 1, 2003, the Roadside Sign Control and Outdoor Advertising Act was amended to impose a 6% fee on the gross amounts collected by a retail seller for billboard advertising space. The fee is imposed directly on the retail seller of the advertising space, as defined by the amendments to the Act. The law imposing the fee applies to collections for any period on or after July 1, 2003, through June 30, 2004. *P.L.* 2003, *c.* 124. Effective June 29, 2004, the law was amended to reduce and ultimately eliminate the fee. *P.L.* 2004, *c.* 42. In this regard, the fee will be phased-out as follows: 1) for the period beginning July 1, 2003 through June 30, 2006 — the rate is 6%, 2) for the period beginning July 1, 2006 through June 30, 2007 — the rate is 4%, and 3) for the period beginning July 1, 2007 and thereafter — the rate is 0%. *P.L.* 2004, *c.* 42.

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. *P.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. *P.L.* 2006, *c.* 44. *P.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. *P.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. *P.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. *P.L.* 1983, *c.* 303; *P.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. *P.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 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. *P.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. *P.L.* 2006, *c.* 44

P.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, *P.L.* 2005, *c.* 126 conforms New Jersey's SUT Act to the Streamlined Sales and Use Tax Agreement. These amendments to the 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).

Current Rate: 7% (*P.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. *P.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, *P.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. *P.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.

Solid Waste Recycling Facility 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, *P.L.* 1981, *c.* 278, and on all solid waste accepted for disposal or transfer on or after July 1, 1987. *P.L.* 1987, *c.* 102. Proceeds from the tax constitute the State Recycling Fund administered by the State Department of Environmental Protection and Energy. A credit against the Corporation Business Tax (CBT) is available for purchase of recycling equipment. *P.L.* 1987, *c.* 102. The tax and C.B.T. credit provision both expired on December 31, 1996. *P.L.* 1981, *c.* 278. The Solid Waste Recycling Facility Tax was repealed by the Clean Communities and Recycling Grant Act, *P.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. *P.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 State 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. *P.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. *P.L.* 1997, *c.* 143; *P.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. *P.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 percent tax on receipts from every sale within the district of tangible personal property subject to taxation under subsection (a) of section 3 of *P.L.* 1966, *c.* 30 (C. 54:32B-3); (2) a 2 percent tax on sales within the district of food and drink subject to taxation pursuant to subsection (c) of section 3 of *P.L.* 1966, *c.* 30 (C. 54:32B-3); (3) a 2 percent tax on hotel rooms occupied within the district and subject to taxation pursuant to subsection (d) of section 3 of *P.L.* 1966, *c.* 30 (C. 54:32B-3); and (4) a 2 percent tax on admission charges to places of amusement within the district subject to taxation pursuant to subsection (3) of *P.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. *P.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. *P.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. *P.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. *P.L.* 1992, *c.* 165; *P.L.* 1997, *c.* 273.

Current Rate: not to exceed 2%.

Voice Grade Access Line and Service Number Fees

P.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. *P.L.* 2004, *c.* 48.

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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 (Tax-Exempt) (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 (Tax-Exempt) (Various Purposes) of the State (the "Bonds"), consisting of eight separate series as follows: $________ Hazardous Discharge Bonds of 1986 (Series I), $________ Stormwater Management and Combined Sewer Overflow Abatement Bonds (1989) (Series G), $________ 1995 New Jersey Green Acres, Farmland and Historic Preservation, and Blue Acres Bonds (Series I), $________ Port of New Jersey Revitalization, Dredging, Environmental Cleanup, Lake Restoration, and Delaware Bay Area Economic Development Bonds (1996) (Series H), $________ 2003 Dam, Lake, Stream, Water Resources, and Wastewater Treatment Project Bonds (Series E), $________ 2007 New Jersey Green Acres, Farmland, Blue Acres, and Historic Preservation Bonds (Series B), $________ 2009 New Jersey Green Acres, Water Supply and Floodplain Protection, and Farmland and Historic Preservation Bonds (Series A), and $________ Building Our Future Bonds (2012) (Series A).

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 December 1, 2013, at the respective rates per annum, and will mature on June 1 in each of the years and in the principal amounts, shown below:

Year of Maturity	Principal Amount	Interest Rate
2014		
2015		
2016		
2017		
2018		
2019		
2020		
2021		
2022		
2023		
2024		
2025		
2026		
2027		
2028		
2029		
2030		
2031		
2032		
2033		

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, 2023 will not be subject to redemption prior to their respective stated maturity dates. The Bonds maturing on or after June 1, 2024 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, 2023, 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 Hazardous Discharge Bonds of 1986 are authorized and issued under and pursuant to the provisions of the Hazardous Discharge Bond Act of 1986, constituting Chapter 113 of the Laws of New Jersey of 1986, as amended by Chapter 182 of the Laws of New Jersey of 1989.

The Stormwater Management and Combined Sewer Overflow Abatement Bonds (1989) are authorized and issued under and pursuant to the provisions of the Stormwater Management and Combined Sewer Overflow Abatement Bond Act of 1989, constituting Chapter 181 of the Laws of New Jersey of 1989, as amended by Chapter 225 of the Laws of New Jersey of 1997.

The 1995 New Jersey Green Acres, Farmland and Historic Preservation, and Blue Acres Bonds are authorized and issued under and pursuant to the provisions of the Green Acres, Farmland and Historic Preservation, and Blue Acres Bond Act of 1995, constituting Chapter 204 of the Laws of New Jersey of 1995.

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 2003 Dam, Lake, Stream, Water Resources, and Wastewater Treatment Project Bonds are authorized and issued under and pursuant to the provisions of the Dam, Lake, Stream, Flood Control, Water Resources, and Wastewater Treatment Project Bond Act of 2003, constituting Chapter 162 of the Laws of New Jersey of 2003.

The 2007 New Jersey Green Acres, Farmland, Blue Acres, and Historic Preservation Bonds are authorized and issued under and pursuant to the provisions of the Green Acres, Farmland, Blue Acres, and Historic Preservation Bond Act of 2007, constituting Chapter 119 of the Laws of New Jersey of 2007.

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 (as defined in the Act) adopted on April 5, 2013 and April __, 2013.

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,

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 (Tax-Exempt) (Various Purposes) of the State (the "Bonds"), consisting of eight separate series as follows: $________ Hazardous Discharge Bonds of 1986 (Series I), $________ Stormwater Management and Combined Sewer Overflow Abatement Bonds (1989) (Series G), $________ 1995 New Jersey Green Acres, Farmland and Historic Preservation, and Blue Acres Bonds (Series I), $________ Port of New Jersey Revitalization, Dredging, Environmental Cleanup, Lake Restoration, and Delaware Bay Area Economic Development Bonds (1996) (Series H), $________ 2003 Dam, Lake, Stream, Water Resources, and Wastewater Treatment Project Bonds (Series E), $________ 2007 New Jersey Green Acres, Farmland, Blue Acres, and Historic Preservation Bonds (Series B), $________ 2009 New Jersey Green Acres, Water Supply and Floodplain Protection, and Farmland and Historic Preservation Bonds (Series A), and $________ Building Our Future Bonds (2012) (Series A); 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 further 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) $________ Hazardous Discharge Bonds of 1986 (Series I), (ii) $________ Stormwater Management and Combined Sewer Overflow Abatement Bonds (1989) (Series G), (iii) $________ 1995 New Jersey Green Acres, Farmland and Historic Preservation, and Blue Acres Bonds (Series I), (iv) $________ Port of New Jersey Revitalization, Dredging, Environmental Cleanup, Lake Restoration, and Delaware Bay Area Economic Development Bonds (1996) (Series H), (v) $________ 2003 Dam, Lake, Stream, Water Resources, and Wastewater Treatment Project Bonds (Series E), (vi) $________ 2007 New Jersey Green Acres, Farmland, Blue Acres, and Historic Preservation Bonds (Series B), (vii) $________ 2009 New Jersey Green Acres, Water Supply and Floodplain Protection, and Farmland and Historic Preservation Bonds (Series A) and (viii) $________ Building Our Future Bonds (2012) (Series A) (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 April __, 2013, 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," "FUNDING 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, 2013; 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.

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 __th day of May, 2013.

TREASURER, STATE OF NEW JERSEY

____
Andrew P. Sidamon-Eristoff