

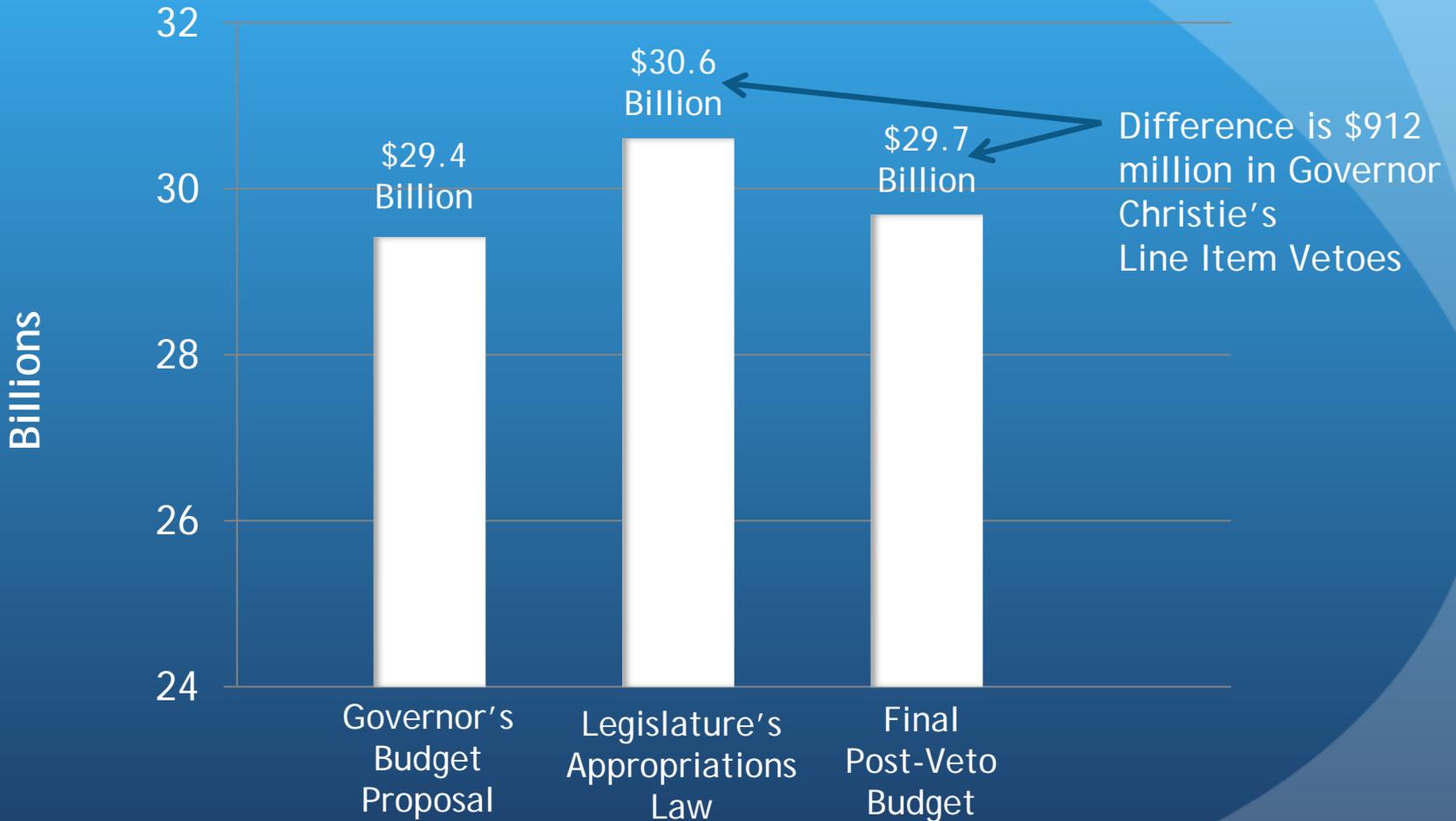
New Jersey's Fiscal Outlook FY 2012

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New Jersey League of Municipalities

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Evolution of the FY12 Budget



FY12 Budget Highlights

- No tax increases on individuals and job creators
- Provides \$180 million in targeted tax cuts
- Increases school aid \$850 million over FY11
- Builds surplus large enough to provide flexibility in meeting the State's future spending needs
- Doubles the Homestead Benefit from FY11 levels
- Funds the State's statutory pension payment

NJ Budgets FY03 to FY12



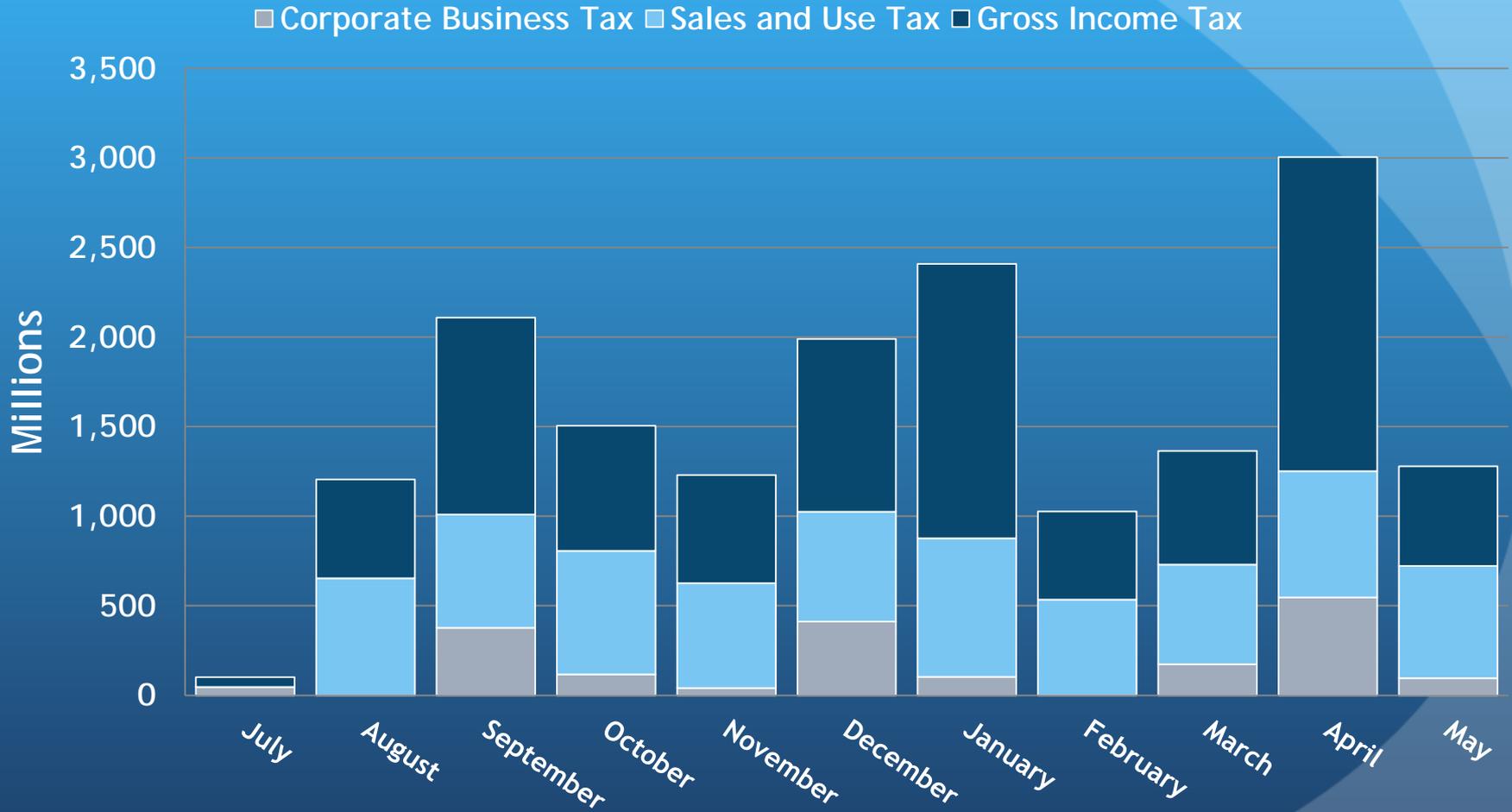
FY2009-2011 included federal stimulus funds that replaced State funding.

NJ Revenues FY06 to FY12



*Does not included surplus funds

NJ's Big Three Revenues in FY 2011



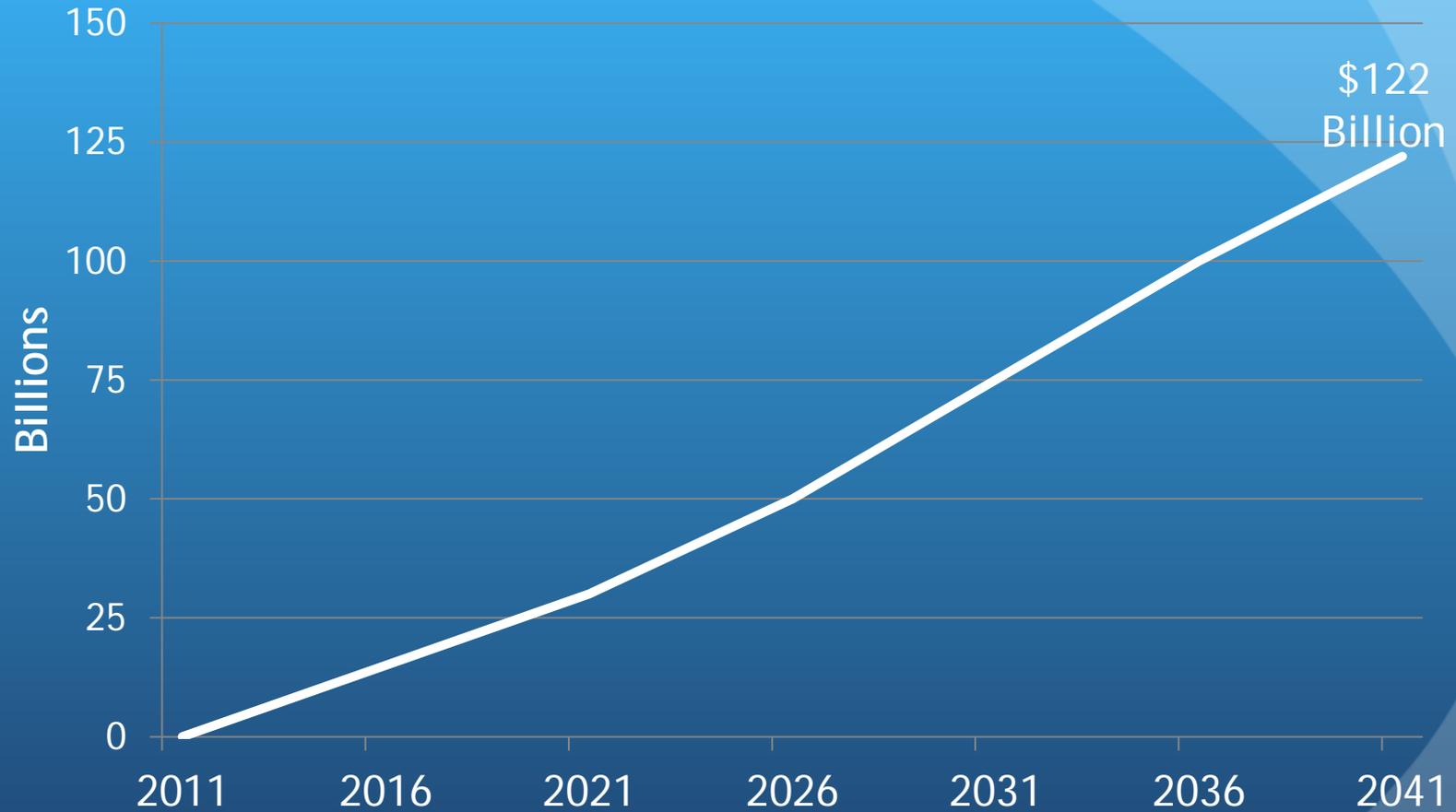
Targeted Tax Reforms

Reform	FY12 Savings	5-Year Savings
Income/Loss Netting and Loss Carry Forward Relief	\$23 million	\$574 million
Single Sales Factor	\$24 million	\$309 million
Reduced S Corp Tax	\$13 million	\$105 million
Increased R&D Credit	\$33 million	\$297 million
Fully Fund Technology Business Tax Certificate Program	\$30 million	\$150 million
Phase-out Transitional Energy Facility Assessment	\$62 million	\$920 million
Total	\$185 million	\$2.35 billion

Pension & Benefit Reform

- Bipartisan reform achievement
- Critical for State's financial future
- Preserves integrity of pension system for current and future retirees - restores sound funding ratios
- \$122 billion in pension contribution savings over 30 years: \$79 billion for the State and \$43 billion for local governments
- \$3 billion in health benefits savings over 10 years: \$1.6 State and \$1.4 local

Pension Savings



Key Elements of Pension Reform

- Suspension of automatic cost of living (COLA) increases
- Requires higher employee contributions
- Most public employees and teachers will pay an additional two percent - one percent now and one percent phased in over seven years
- Police and firefighters will pay an additional 1.5 percent
- Judges will pay an additional 9 percent phased in over seven years

Key Elements of Benefit Reform

- Public employees will pay a portion of premiums - not salary - linking contributions with costs
- Sliding scale from three percent for the lowest paid workers to 35 percent for the highest paid
- Over a four-year phase-in employee share of premium cost will rise from an average of 8 percent to 20 percent
- Plan design - at least three different levels of coverage plus a high deductible/health savings account (HSA) plan. More choice will increase flexibility for employees and help control costs

