

EXECUTIVE ORDER NO. 156

WHEREAS, the State of New Jersey ("State") is confronting a significant, unanticipated revenue shortfall for the fiscal year ending on June 30, 2014, less than six weeks from the date of this Order; and

WHEREAS, based on the most current projections developed by the Department of the Treasury ("Treasury"), actual and anticipated revenue collections by the State for the current fiscal year are expected to be substantially below the amounts estimated in connection with the Fiscal Year 2014 Appropriations Act, P.L.2013, c.77; and

WHEREAS, the State Treasurer, in coordination with the Department's Chief Economist and the Office of Revenue and Economic Analysis, now estimates that the State expects to realize a revenue shortfall in the gross income tax of approximately \$875 million, which Treasury largely attributes to unanticipated taxpayer behavior in advance of federal tax changes associated with the 2012 fiscal cliff negotiations; and

WHEREAS, this newly identified shortfall creates a projected revenue shortfall of approximately \$1 billion for Fiscal Year 2014 when other appropriate revenue adjustments are taken into account; and

WHEREAS, the State further anticipates additional essential spending needs during Fiscal Year 2014 of approximately \$260 million, including support for individuals enrolled in programs administered by the Department of Human Services and winter operations of the Department of Transportation; and

WHEREAS, the combined total estimated revenue shortfall and additional essential spending needs for Fiscal Year 2014 is projected to be nearly \$1.3 billion; and

WHEREAS, the administration has identified Fiscal Year 2014 underspending and lapses totaling more than \$800 million, which is more than sufficient to cover all of the aforementioned supplemental Fiscal Year 2014 essential spending needs, but is not of such a magnitude as to overcome the totality of the unanticipated revenue shortfall; and

WHEREAS, the New Jersey State Constitution requires the Governor to take care that the laws of this State be faithfully executed, N.J. Const. (1947) Article V, Section 1, Paragraph 11, including ensuring compliance with the constitutional mandate that the State not end the fiscal year with a deficit in accordance with N.J. Const. (1947) Article VIII, Section 2, Paragraph 2; and

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

WHEREAS, during the course of a fiscal year, the Governor may take steps to limit State spending if it appears that revenues have fallen below those originally anticipated in the Appropriations Act by ordering the Director of the Division of Budget and Accounting ("Director") to freeze spending and place items into reserve pursuant to N.J.S.A. 52:27B-26; and

WHEREAS, failure to exercise these powers would result in the State lacking sufficient resources to provide essential State services and basic operations of State government for the balance of Fiscal Year 2014, potentially causing immediate, devastating impacts on the residents of the State; and

WHEREAS, in order to determine which items of spending should be reserved, the State Treasurer and the Director have conferred with the various departments of State government to identify items that can be reserved in Fiscal Year 2014 without imperiling the health, safety, and welfare of the people of the New Jersey; and

WHEREAS, because of the magnitude of the current fiscal situation and the fact that less than six weeks are left in the fiscal year to address it, it is imperative that all unexpended items of appropriation be closely scrutinized and, if appropriate, frozen in order to address the situation; and

WHEREAS, at this late point in the fiscal year, the list of potential options for placement into reserve is short and unappealing, consisting of items of appropriation such as payments to satisfy the State's debt service obligations and payments to institutions of higher education, hospitals, nursing homes, school districts, municipalities in fiscal distress in the Transitional Aid program, and the State's pension systems; and

WHEREAS, making severe cuts to some of these programs at this point in the fiscal year would result in unacceptable risks and adverse consequences to the public health, safety, and welfare, including but not limited to lack of access to emergency healthcare;

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

1. In light of the facts and circumstances set forth in brief above, the Director is hereby ordered to identify and place into reserve items of appropriation pursuant to N.J.S.A. 52:27B-26 in an amount sufficient to ensure that the State does not end the fiscal year with a deficit. The Director shall notify the State Treasurer and the Governor's Office immediately of the list of items placed into reserve. In the event that during the remainder of Fiscal Year 2014, actual revenues collected are less than the revenues presently anticipated for collection, the Director shall take such further actions pursuant to N.J.S.A. 52:29B-26 to place into reserve additional amounts or items of appropriation so as to ensure that the State does not end the fiscal year with a deficit. The Director shall report to the Treasurer and the Governor's Office any additional amounts or items of appropriation that are placed into reserve as well as any actions to release reserved funds for expenditure.

2. In executing the directive described in the preceding paragraph, the Director shall not place into reserve or otherwise prevent the timely disbursement of the following categories of appropriations, which have been determined to be essential at this time to the maintenance of the health, safety, and welfare of the residents of the State of New Jersey, despite the severity of the current fiscal situation: debt service payments and final payments to institutions of higher education, hospitals, nursing homes, school districts,

and Transitional Aid to municipalities determined to be in fiscal distress.

3. If, and only if, necessary to achieve a budget for Fiscal Year 2014 with an undesignated ending fund balance of \$300 million, the Director is authorized to place into reserve such amounts of payments to the State's pension systems as may be necessary to ensure that the State does not end the fiscal year with a deficit, but only after all other measures authorized in this Order are accomplished and only if those other authorized measures are insufficient; provided, however, that the Director shall not place into reserve the actuarially required annual normal contribution for all active employees calculated in a manner consistent with the provisions of P.L.2010, c.1.

4. The State Treasurer, in consultation with the Director, is directed to monitor the collection of revenues and State expenditures and to report to the Governor's Office on an ongoing basis so that appropriate adjustments, if any, can be made, including by placing into reserve items of appropriation in order to meet changing fiscal conditions.

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

6. I reserve the right to take such actions and issue such orders or directives as may be necessary to meet the various problems presented by this situation, to protect the health, safety, and welfare of the people of this State, and to ensure the continued provision of essential State services.

7. This Order shall take effect immediately and shall remain in full force and effect until rescinded, modified, or supplemented by me.

GIVEN, under my hand and seal this  
20<sup>th</sup> day of May,  
Two Thousand and Fourteen,  
and of the Independence of  
the United States, the Two  
Hundred and Thirty-Eighth.

[seal]

/s/ Chris Christie

Governor

Attest:

/s/ Christopher S. Porrino

Chief Counsel to the Governor