

PRELIMINARY OFFICIAL STATEMENT DATED MAY 8, 2023

NEW ISSUE – BOOK-ENTRY ONLY

Fitch: “A”
Moody’s: “A2”
S&P: “A-”
(See “RATINGS” herein)

\$262,780,000*
NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
TRANSPORTATION SYSTEM BONDS
2023 SERIES A

Dated: Date of Delivery

Due: As Shown on the Inside Front Cover

This Official Statement has been prepared by the New Jersey Transportation Trust Fund Authority (the “Authority”) to provide information on its \$262,780,000* Transportation System Bonds, 2023 Series A (the “2023 Series A Bonds”). Simultaneously with the offering and sale of the 2023 Series A Bonds, the Authority will be offering and selling its Transportation Program Bonds, 2023 Series AA (the “2023 Series AA Bonds”) for the primary purpose of refunding certain outstanding Transportation Program Bonds of the Authority. **The 2023 Series AA Bonds are not being offered pursuant to this Official Statement.**

Tax Matters: *In the opinion of Bond Counsel, under existing statutes, regulations, rulings and court decisions, and assuming compliance by the Authority with certain requirements described in “TAX MATTERS” herein, interest on the 2023 Series A Bonds is not includable in gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and is not treated as a preference item under Section 57 of the Code for purposes of computing the federal alternative minimum tax imposed on individuals. However, such interest is taken into account in determining the “adjusted financial statement income” (as defined in Section 56A of the Code) of “applicable corporations” (as defined in Section 59(k) of the Code) for purposes of computing the alternative minimum tax imposed on such corporations for tax years beginning after December 31, 2022. Bond Counsel is also of the opinion that, under existing law, interest on the 2023 Series A Bonds and any gain realized on the sale thereof are not includable in gross income under the New Jersey Gross Income Tax Act, as amended. See “TAX MATTERS” herein.*

Redemption: The 2023 Series A Bonds are subject to redemption prior to maturity, as described herein. See “DESCRIPTION OF THE 2023 SERIES A BONDS – Redemption Provisions” herein.

Security: The 2023 Series A Bonds are special obligations of the Authority, secured primarily by payments made by the State of New Jersey (the “State”) to the Authority under an agreement entitled: “Fourth Amended and Restated Contract Implementing Funding Provisions of the New Jersey Transportation Trust Fund Authority Act With Respect to Transportation System Bonds”, dated as of October 3, 2018 (the “State Contract”), as may be amended from time to time, among the State Treasurer, the Commissioner of the New Jersey Department of Transportation and the Authority. THE OBLIGATION OF THE STATE TO MAKE PAYMENTS UNDER THE STATE CONTRACT IS SUBJECT TO AND DEPENDENT UPON APPROPRIATIONS BEING MADE FROM TIME TO TIME BY THE NEW JERSEY STATE LEGISLATURE (THE “STATE LEGISLATURE”) FOR SUCH PURPOSE. THE STATE LEGISLATURE HAS NO LEGAL OBLIGATION TO MAKE ANY SUCH APPROPRIATIONS. See “SECURITY FOR THE 2023 SERIES A BONDS” herein.

The 2023 Series A Bonds shall not, in any way, be a debt or liability of the State or of any political subdivision thereof (other than the Authority to the limited extent set forth in the Resolution) and shall not create or constitute an indebtedness, liability or obligation of the State or of any political subdivision thereof (other than the Authority to the limited extent set forth in the Resolution) or be or constitute a pledge of the faith and credit of the State or any political subdivision thereof. The Authority has no taxing power.

Purpose: The 2023 Series A Bonds are being issued for the purposes of paying (i) the purchase price of certain outstanding Transportation System Bonds of the Authority which have been tendered for purchase by the Authority pursuant to the Invitation (as defined herein), (ii) the cost of defeasing certain outstanding Transportation System Bonds of the Authority more fully described herein, and (iii) the costs of issuance of the 2023 Series A Bonds and the costs of the Invitation. See “PLAN OF FINANCE” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.

Interest Rates and Yields: As shown on the inside front cover.

Interest Payment Dates: Interest on the 2023 Series A Bonds is payable on June 15 and December 15, commencing December 15, 2023.

Denominations: The 2023 Series A Bonds will be issued in denominations of \$5,000 or any integral multiple in excess thereof.

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

Book-Entry-Only: The Depository Trust Company.

The 2023 Series A Bonds are offered when, as and if delivered and subject to the receipt of the approving legal opinion of M. Jeremy Ostow, Esq., South Orange, New Jersey, Bond Counsel to the Authority. Certain legal matters will be passed upon for the Authority by the Attorney General of the State, General Counsel to the Authority, and for the Underwriter by its counsel, Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey. The 2023 Series A Bonds in definitive form are expected to be available for delivery through DTC on or about June __, 2023.

JEFFERIES

Official Statement dated: May __, 2023

* Preliminary, subject to change.

This is a Preliminary Official Statement and the information contained herein is subject to completion and amendment in a final Official Statement. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the securities offered hereby in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the applicable securities law of any such jurisdiction.

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES,
YIELDS AND CUSIP** NUMBERS**

\$262,780,000*

**NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
TRANSPORTATION SYSTEM BONDS, 2023 SERIES A**

<u>Maturity Date*</u> <u>(June 15)</u>	<u>Principal</u> <u>Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP**</u>
2024	\$ 46,000,000			
2035	6,500,000			
2036	6,820,000			
2037	25,305,000			
2038	26,575,000			
2039	27,900,000			
2040	72,080,000			
2041	30,845,000			
2042	20,755,000			

* Preliminary, subject to change.

** CUSIP is a registered trademark of the American Bankers Association. CUSIP numbers have been provided by CUSIP Global Services, which is operated on behalf of the American Bankers Association by FactSet Research Systems Inc. The CUSIP numbers listed above are being provided solely for the convenience of the holders of the 2023 Series A Bonds only at the time of issuance of the 2023 Series A Bonds and the Authority 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 2023 Series A 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 the 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 2023 Series A Bonds.

IN CONNECTION WITH THE OFFERING OF THE 2023 SERIES A BONDS, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2023 SERIES A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT PRIOR NOTICE.

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 2023 SERIES A BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than as contained in this Official Statement in connection with the offering of the 2023 Series A Bonds and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any offer, solicitation or sale of the 2023 Series A 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. However, it is not guaranteed as to accuracy or completeness, and it is not to be construed as a representation of the Authority. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sales made hereunder shall, under any circumstances, create any implication that there has been no change in such information since the date thereof. The information in this Official Statement concerning The Depository Trust Company (“DTC”) and DTC’s book-entry system has been obtained from DTC, and the Authority takes no responsibility for the accuracy thereof. Such information has not been independently verified by the Authority and the Authority makes no representation as to the accuracy or completeness of such information.

There follows in this Official Statement certain information concerning the Authority, together with descriptions of the terms of the 2023 Series A Bonds, the principal documents related to the security for the 2023 Series A Bonds and certain applicable laws. All references herein to laws and documents are qualified in their entirety by reference to such laws, as in effect, and to each such document as such document has been or will be executed and delivered on or prior to the date of issuance of the 2023 Series A Bonds, and all references to the 2023 Series A Bonds are qualified in their entirety by reference to the definitive form thereof and the information with respect thereto contained in the Resolution (as defined herein).

The 2023 Series A 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 2023 Series A Bonds and the security therefor, including an analysis of the risks involved. The 2023 Series A Bonds have not been recommended by any federal or state securities commission or regulatory authority. The registration, qualification or exemption of the 2023 Series A Bonds in accordance with applicable provisions of securities laws of the various jurisdictions in which the 2023 Series A 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 2023 Series A Bonds or the adequacy, accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or holders of the 2023 Series A Bonds.

This Official Statement contains statements which, to the extent they are not recitations of historical fact, constitute “forward looking statements.” In this respect, the words “estimate,” “project,” “anticipate,” “expect,” “intend,” “believe” and similar expressions are intended to identify forward looking statements. A number of important factors affecting the Authority and its programs could cause actual results to differ materially from those stated in the forward looking statements.

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**OFFICIAL STATEMENT
RELATING TO
\$262,780,000*
NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY
TRANSPORTATION SYSTEM BONDS
2023 SERIES A**

INTRODUCTION

The purpose of this Official Statement (which includes the cover page, the inside front cover and the Appendices hereto) is to set forth certain information concerning the New Jersey Transportation Trust Fund Authority (the “Authority”) and its \$262,780,000* Transportation System Bonds, 2023 Series A (the “2023 Series A Bonds”).

Simultaneously with the offering and sale of the 2023 Series A Bonds, the Authority will be offering and selling \$674,000,000* aggregate principal amount of its Transportation Program Bonds, 2023 Series AA (the “2023 Series AA Bonds”) for the primary purpose of refunding certain outstanding Transportation Program Bonds of the Authority. The 2023 Series A Bonds and the 2023 Series AA Bonds are expected to be issued by the Authority on or about June __, 2023. **The 2023 Series AA Bonds are not being offered pursuant to this Official Statement.**

The Authority was created by the State of New Jersey (the “State”) in 1984 pursuant to the New Jersey Transportation Trust Fund Authority Act of 1984, as amended and supplemented, constituting N.J.S.A. 27:1B-1 *et seq.* (the “Act”), to provide a stable, predictable funding mechanism for transportation system improvements undertaken by the New Jersey Department of Transportation (the “Department”). Transportation system improvements financed by the Authority include expenditures for the planning, acquisition, engineering, construction, repair, maintenance and rehabilitation of public facilities for ground, water or air transportation of people or goods. The Authority also finances State aid to counties and municipalities for transportation system improvements.

The Authority is governed by seven members, including the Commissioner of the New Jersey Department of Transportation (the “Commissioner”) and the Treasurer of the State (the “State Treasurer”), both of whom serve as *ex officio* members.

The Act, among other things, provides for (i) the funding of transportation projects and (ii) the issuance of bonds, notes or other obligations, including subordinated obligations, by the Authority. The Act, as amended by L. 2016, c. 56, enacted on October 14, 2016 (the “2016 Legislation”), sets certain limits on the maximum amount of debt that can be incurred by the Authority in a fiscal year. The issuance of bonds, notes or other obligations, including subordinated obligations of the Authority, for refunding purposes is not subject to the foregoing limits; except that any premiums received in connection with the issuance of Transportation Program Bonds during such period (whether for new money purposes or for refunding purposes) shall count against any limitation as to the amount of new money Transportation

* Preliminary, subject to change.

Program Bonds the Authority may issue during such period. See “STATUTORY DEBT ISSUANCE LIMITATIONS” herein.

The Act provides that no refunding bonds shall be issued unless the Authority shall first determine that the present value of the aggregate principal amount of and interest on the refunding bonds is less than the present value of the aggregate principal amount of and interest on the Outstanding Bonds to be refinanced, with present value computed using a discount rate equal to the yield of those refunding bonds, and yield computed using an actuarial method based upon a 360-day year with semiannual compounding and upon the prices paid to the Authority by the initial purchasers of those refunding bonds. The issuance of refunding bonds is also subject to the approval of the Joint Budget Oversight Committee (the “JBOC”) of the New Jersey State Legislature (the “State Legislature”).

The Authority is issuing the 2023 Series A Bonds for the purposes of paying (i) the purchase price of certain outstanding Transportation System Bonds of the Authority which have been tendered for purchase by the Authority pursuant to the Invitation (as defined herein) and are more fully described in APPENDIX VII to this Official Statement (the “Bonds to be Purchased”), (ii) the cost of defeasing certain outstanding Transportation System Bonds of the Authority more fully described in APPENDIX VII to this Official Statement (the “Bonds to be Defeased” and, together with the Bonds to be Purchased, the “Bonds to be Purchased and/or Defeased”), and (iii) the costs of issuance of the 2023 Series A Bonds and the costs of the Invitation (as defined herein). See “PLAN OF FINANCE” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.

The 2023 Series A Bonds are being issued pursuant to the Act and the Authority's 1995 Transportation System Bond Resolution, adopted on June 15, 1995 (the “1995 Transportation System Bond Resolution”), as amended and supplemented, including by the Thirty-Third Supplemental Transportation System Bond Resolution, adopted on December 15, 2022 (the “Thirty-Third Supplemental Resolution”) and a 2023 Series Certificate of the Authority dated the date of sale of the 2023 Series A Bonds (the “2023 Series Certificate”). The 1995 Transportation System Bond Resolution, as amended and supplemented, including by the Thirty-Third Supplemental Resolution and the 2023 Series Certificate, as the same may be amended and supplemented from time to time, is collectively referred to herein as the “Resolution”. Bonds issued under the Resolution are, pursuant to the Resolution, designated as “Transportation System Bonds”. U.S. Bank Trust Company, National Association, Edison, New Jersey, has been appointed as trustee (the “Trustee”) and paying agent (the “Paying Agent”) by the Authority for obligations issued under the Resolution, including the 2023 Series A Bonds.

The Resolution constitutes a contract between the Authority and the holders of the bonds issued and outstanding thereunder. All such bonds issued pursuant to the Resolution, including the 2023 Series A Bonds, are referred to collectively as the “Bonds”. All capitalized terms used but not defined in this Official Statement shall have the meanings given to them in the Resolution. See “APPENDIX II — SUMMARY OF THE RESOLUTION” herein.

The 2023 Series A Bonds are secured by the Pledged Property (as defined in the Resolution), which consists primarily of revenues received by the Authority from the State pursuant to the Act and the State Contract (as hereinafter defined). The payment of all such revenues to the Authority is subject to and dependent upon appropriations being made from time to time by the State Legislature. However, the State Legislature has no legal obligation to make any such appropriations. The 2023 Series A Bonds will be secured on parity with all Bonds issued and to be issued from time to time under the Resolution. The Authority may, in its discretion, issue one or more series of Reserve Fund Bonds (as hereinafter defined). However, if the Authority issues Reserve Fund Bonds, any funds on deposit in the Debt Service Reserve Fund will not be security for, and will not be available to pay debt service on, the 2023 Series A Bonds.

See “SECURITY FOR THE 2023 SERIES A BONDS – Property Pledged to the 2023 Series A Bonds; the State Contract; the Act; the Resolution” herein.

The 2016 Legislation authorizes the Authority to issue Transportation Program Bonds, which bonds are payable solely from revenues dedicated pursuant to the New Jersey State Constitution (the “State Constitution”), including Article VIII, Section II, paragraph 4 (the “Constitutionally Dedicated Revenues”). Transportation Program Bonds are issued under the New Jersey Transportation Trust Fund Authority 2012 Transportation Program Bond Resolution, adopted October 26, 2012 (the “2012 Transportation Program Bond Resolution”). The Authority has previously issued bonds under the 2012 Transportation Program Bond Resolution and, as of May 1, 2023, had outstanding \$7,523,120,000 aggregate principal amount of Transportation Program Bonds. Pursuant to the 2016 Legislation, the Authority is authorized to issue additional new money Transportation Program Bonds in an amount not in excess of \$12,000,000,000 through the period ending June 30, 2024. The Constitutionally Dedicated Revenues pledged to the payment of the Transportation Program Bonds are also a source of payment for the 2023 Series A Bonds. However, Transportation Program Bonds are not payable from the statutorily dedicated revenues that may be used to pay debt service on the Transportation System Bonds, including the 2023 Series A Bonds. See “SECURITY FOR THE 2023 SERIES A BONDS – Constitutional Dedication of Certain State Revenues” and “SECURITY FOR THE 2023 SERIES A BONDS – Statutory Dedication of Certain State Revenues” herein.

It is anticipated that no further bonds will be issued under the Resolution other than Refunding Bonds. Bonds issued by the Authority to finance future State Transportation System Costs are expected to be issued as either (i) Transportation Program Bonds under the 2012 Transportation Program Bond Resolution or (ii) Federal Highway Reimbursement Revenue Notes.

All references in this Official Statement to the Act and the Resolution are qualified in their entirety by reference to the complete text of the Act and the Resolution, copies of which are available from the Authority, and all references to the 2023 Series A Bonds are qualified in their entirety by reference to the definitive forms thereof and the provisions with respect thereto contained in the Resolution. See “APPENDIX II — SUMMARY OF THE RESOLUTION” herein.

DESCRIPTION OF THE 2023 SERIES A BONDS

General

The Resolution, the State Contract and all provisions thereof are incorporated by reference in the text of the 2023 Series A Bonds. Copies of the Resolution, including the full text of the form of the 2023 Series A Bonds, and the State Contract are on file at the principal corporate trust office of the Trustee and are available there for inspection and copying. The following is a summary of certain provisions of the 2023 Series A Bonds and is qualified by reference thereto.

The 2023 Series A Bonds will be dated their date of delivery and will mature on the dates and in the principal amounts shown on the inside front cover of this Official Statement. The 2023 Series A Bonds will be issued in denominations of \$5,000 or any integral multiple in excess thereof (an “Authorized Denomination”) and will bear interest at the rates shown on the inside front cover of this Official Statement, payable semiannually on June 15 and December 15 in each year, commencing on December 15, 2023, until maturity or prior redemption. Interest will be payable by the Trustee to those registered owners of the applicable 2023 Series A Bonds whose names appear on the bond register as of the fifteenth (15th) day next preceding each June 15 and December 15 (the “Record Date”). Interest on the 2023 Series A Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months.

The Depository Trust Company (“DTC”) will act as securities depository for the 2023 Series A Bonds. So long as DTC or its nominee is the registered owner of the 2023 Series A Bonds, payments of the principal of and interest on the 2023 Series A Bonds will be made by the Paying Agent directly to DTC or its nominee, Cede & Co., which will in turn remit such payments to DTC Participants, which will in turn remit such payments to the Beneficial Owners of the 2023 Series A Bonds. See “APPENDIX VI – DTC BOOK-ENTRY-ONLY SYSTEM” herein.

The 2023 Series A Bonds will be issued in the form of a fully registered certificate for each maturity of the 2023 Series A Bonds and, if applicable, each interest rate within a maturity of the 2023 Series A Bonds, with such certificates being in the aggregate principal amount of the 2023 Series A Bonds and, when issued, will be registered in the name of Cede & Co., as nominee of DTC. See “APPENDIX VI – DTC BOOK-ENTRY-ONLY SYSTEM” herein.

Redemption Provisions

Optional Redemption. The 2023 Series A Bonds maturing on or after June 15, 2035* are subject to optional redemption prior to maturity at the option of the Authority, at any time on or after June 15, 2033*, either in whole or in part, from maturities and, where applicable, interest rates within maturities, selected by the Authority at a Redemption Price equal to 100% of the principal amount of the 2023 Series A Bonds being redeemed, plus accrued interest thereon to the redemption date.

Selection of 2023 Series A Bonds to be Redeemed. If the 2023 Series A Bonds are registered in book-entry-only form and DTC or a successor securities depository is the sole registered owner of the 2023 Series A Bonds and if less than all of the 2023 Series A Bonds of a maturity are called for prior redemption, the particular 2023 Series A Bonds or portions thereof to be redeemed shall be selected on a *pro rata* basis in accordance with DTC procedures.

If the 2023 Series A Bonds are not registered in book-entry-only form, any redemption of less than all of a maturity of the 2023 Series A Bonds shall be effected by the Trustee among owners on a *pro rata* basis subject to minimum Authorized Denominations.

Notice of Redemption

When the Trustee receives notice from the Authority of its election or direction to redeem the 2023 Series A Bonds, and provided that the redemption of the 2023 Series A Bonds is authorized or required pursuant to the Resolution, then the Trustee shall give notice, in the name of the Authority, of the redemption of such 2023 Series A Bonds, which notice shall specify the maturities (and, if applicable, interest rates within a maturity) of the 2023 Series A Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the 2023 Series A Bonds of the same maturity are to be redeemed, the letters and numbers or other distinguishing marks of such 2023 Series A Bonds to be so redeemed, and, in the case of 2023 Series A Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each 2023 Series A Bond to be redeemed the Redemption Price thereof, or, in the case of 2023 Series A Bonds to be redeemed in part only, the Redemption Price of the specified portions of the principal amount of each 2023 Series A Bond to be redeemed, together with interest accrued to the redemption date, shall become due and payable on the redemption date, and that from and after such redemption date interest thereon shall cease to accrue and be payable. Such notice shall be mailed by the Trustee, postage prepaid,

* Preliminary, subject to change.

not less than twenty-five (25) days prior to the redemption date, to the registered owners of any 2023 Series A Bonds or portions of 2023 Series A Bonds that are to be redeemed, at their last addresses, if any, appearing upon the registry books. Such notice shall also be given by publication once a week for at least two (2) successive weeks in any Authorized Newspaper, the first such publication to be made not less than thirty (30) days nor more than sixty (60) days prior to the redemption date. Failure of the registered owner of any 2023 Series A Bonds that are to be redeemed to receive any such notice, or failure of the Authority to publish notice of redemption as provided in the immediately preceding sentence, shall not affect the validity of the proceedings for the redemption of 2023 Series A Bonds.

So long as DTC is acting as securities depository for the 2023 Series A Bonds, all notices of redemption required to be given to the registered owners of the 2023 Series A Bonds will be given to DTC.

Book-Entry-Only System

The information in APPENDIX VI – DTC BOOK-ENTRY-ONLY SYSTEM concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

Neither the DTC Participants nor the Beneficial Owners (as such terms are defined in APPENDIX VI – DTC BOOK-ENTRY-ONLY SYSTEM) should rely on such information with respect to such matters but should instead confirm the same with DTC or the DTC Participants, as the case may be.

THE AUTHORITY, THE TRUSTEE AND THE PAYING AGENT CANNOT AND DO 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 2023 SERIES A BONDS, (I) PAYMENTS OF PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE 2023 SERIES A BONDS, (II) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTEREST IN 2023 SERIES A BONDS OR (III) NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE HOLDER OF THE 2023 SERIES A 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 APPENDIX VI TO THIS OFFICIAL STATEMENT. NONE OF THE AUTHORITY, THE TRUSTEE OR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO ANY DIRECT PARTICIPANTS, ANY PERSON CLAIMING A BENEFICIAL OWNERSHIP INTEREST IN THE 2023 SERIES A BONDS UNDER OR THROUGH DTC OR ANY DIRECT PARTICIPANT OR ANY OTHER PERSON WHO IS NOT SHOWN ON THE BOND REGISTER OF THE AUTHORITY KEPT BY THE TRUSTEE AS BEING A 2023 SERIES A BONDHOLDER.

NONE OF THE AUTHORITY, THE TRUSTEE OR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION, EITHER SINGULARLY OR JOINTLY, TO DTC PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT; (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE 2023 SERIES A BONDS UNDER THE RESOLUTION; (III) THE SELECTION BY DTC OR ANY DTC PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE 2023 SERIES A BONDS; (IV) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST DUE WITH RESPECT TO THE 2023 SERIES A BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF 2023 SERIES A BONDS; OR (VI) ANY OTHER MATTER.

SO LONG AS CEDE & CO., AS NOMINEE FOR DTC, IS THE REGISTERED OWNER OF ALL OF THE 2023 SERIES A BONDS, REFERENCES HEREIN TO THE OWNERS, HOLDERS OR REGISTERED OWNERS OF THE 2023 SERIES A BONDS (OTHER THAN UNDER THE CAPTIONS “TAX MATTERS” AND “CONTINUING DISCLOSURE AGREEMENT” HEREIN) SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE 2023 SERIES A BONDS.

In the event that the 2023 Series A Bonds are no longer subject to the book-entry-only system, the Authority shall immediately advise the Trustee in writing of the procedures for transfer of such 2023 Series A Bonds from such book-entry-only form to a fully registered form. Thereafter, bond certificates will be printed and delivered as described in the Resolution and Beneficial Owners will become the registered owners of the 2023 Series A Bonds.

SECURITY FOR THE 2023 SERIES A BONDS

Property Pledged to the 2023 Series A Bonds; the State Contract; the Act; the Resolution

The 2023 Series A Bonds are payable and secured under the Resolution on parity with all other Bonds issued and to be issued from time to time thereunder. All Bonds issued under the Resolution are special obligations of the Authority payable solely from the property pledged to their payment as hereinafter described. Pursuant to the Resolution, all of such property is pledged and assigned as security for the payment of the principal of and interest on the Bonds as well as (i) the Authority's reimbursement obligations or scheduled swap payments with respect to any Financing Facility (which include Swap Agreements and reimbursement agreements for credit facilities) that it may obtain in connection with the issuance of any Series of Bonds and (ii) any Subordinated Debt that may be issued under the Resolution. Currently, there is no Subordinated Debt or Financing Facilities outstanding under the Resolution. The Resolution provides that all Pledged Property shall immediately become subject to the lien of said pledge without any physical delivery thereof or further act, and that such lien shall be valid and binding against all persons having claims of any kind in tort, contract or otherwise against the Authority. See “APPENDIX II – SUMMARY OF THE RESOLUTION – Pledge of Pledged Property” herein.

Pursuant to the Resolution, the “Pledged Property” consists of:

(i) with respect to the Bond Payment Obligations and, to the extent provided in any Supplemental Resolution or Series Certificate authorizing a Series that is to be secured, in whole or in part, by, or payable, in whole or in part, from, a Financing Facility, the applicable Financing Facility Payment Obligations: the Revenue Contracts (defined in the fifth succeeding paragraph), the Revenues (defined in the third succeeding paragraph) and Funds, other than the Debt Service Reserve Fund and the Rebate Fund, including Investment Securities held in any such Fund, together with all proceeds and revenues of the foregoing and all of the Authority's right, title and interest in and to the foregoing, and all other moneys, securities or funds pledged for the payment of the Bonds in accordance with the terms and provisions of the Resolution,

(ii) with respect to any Series of Bonds in connection with which the Authority has obtained a Financing Facility, and to the extent provided in the applicable Supplemental Resolution or Series Certificate, the applicable Financing Facility and Financing Facility Revenues and all moneys from time to time held in any applicable subaccount within the Debt Service Fund, and

(iii) with respect to any Subordinated Debt, the amounts, if any, on deposit from time to time in the Subordinated Debt Fund and available for such payment.

Under the Resolution, “Revenues” means: (i) all amounts appropriated by the State Legislature and paid to the Authority by the State Treasurer from the Transportation Trust Fund Account – Subaccount for Debt Service for Prior Bonds (described below); (ii) any other amounts appropriated by the State Legislature and paid to the Authority by the State Treasurer, or received by the Authority from any other source and pledged by the Authority as security for the payment of Bonds (including the expected cash subsidy of 35% of the interest payable on each of the Authority's Transportation System Bonds, 2009 Series B, 2010 Series B and 2010 Series C (each issued as Build America Bonds) from the United States Treasury¹); and (iii) interest received on any moneys or securities held pursuant to the Resolution and paid or required to be paid into the Transportation Improvement Fund (established under the Resolution). However, the term “Revenues” does not include Financing Facility Revenues, which are all amounts received by the Authority or the Trustee pursuant to any Financing Facility.

The Act defines bonds issued pursuant to the authorization contained in L. 1995, c. 108, L. 2006, c. 3, and L. 2016, c. 56, and any bonds issued to refund such bonds as “Prior Bonds”. Transportation System Bonds issued and to be issued under the Resolution, including the 2023 Series A Bonds, are Prior Bonds. The Act creates three subaccounts within the Transportation Trust Fund Account (established under the Act) within the State General Fund. Such subaccounts are respectively defined as the “Transportation Trust Fund Account – Subaccount for Debt Service for Prior Bonds”, the “Transportation Trust Fund Account – Subaccount for Debt Service for Transportation Program Bonds” and the “Transportation Trust Fund Account – Subaccount for Capital Reserves”. In furtherance of the Act's requirement that debt service on Transportation Program Bonds be paid solely from Constitutionally Dedicated Revenues, only amounts derived from Constitutionally Dedicated Revenues are to be deposited into the Transportation Trust Fund Account – Subaccount for Debt Service for Transportation Program Bonds. Additionally, the Act also provides that only amounts derived from Constitutionally Dedicated Revenues are to be deposited into the Transportation Trust Fund Account – Subaccount for Capital Reserves. Debt Service on Prior Bonds is to be paid solely from amounts on deposit in the Transportation Trust Fund Account – Subaccount for Debt Service for Prior Bonds. The State Contract clarifies that payments under the State Contract will be credited to the Transportation Trust Fund Account – Subaccount for Debt Service for Prior Bonds.

“Funds” constituting the Pledged Property are any Funds established pursuant to the Resolution, including any moneys or Investment Securities held therein, other than the Debt Service Reserve Fund (which currently is not funded and does not and will not secure the 2023 Series A Bonds or any other Bonds currently outstanding pursuant to the Resolution) and the Rebate Fund. “Revenue Contracts” under the Resolution means the State Contract, the Toll Road Authority Contracts (described below) or any assignment thereof or any other agreement of the Authority of whatever nature. “Toll Road Authority Contracts” means, collectively, (i) the contract between the State Treasurer, acting on behalf of the State, and the New Jersey Turnpike Authority (the “Turnpike Authority”) and (ii) the contract between the South Jersey Transportation Authority, as successor to the New Jersey Expressway Authority (the “South Jersey Transportation Authority”); and together with the Turnpike Authority, the “Toll Road Authorities”), and the Department, pursuant to which amounts are payable to the State. Pursuant to the Act and the State Contract, amounts equivalent to the moneys received by the State in accordance with the Toll Road Authority Contracts are to be credited to the Transportation Trust Fund Account – Subaccount for Debt Service for Prior Bonds, provided that the amount so credited shall not be less than \$24,500,000, which payment may then be appropriated by the State to the Authority. See “APPENDIX II – SUMMARY OF THE

¹ As a result of the federal budget sequestration presently in effect for the current federal fiscal year ending September 30, 2023, the Build America Bonds cash subsidy amounts payable to the Authority on June 15, 2023 will be reduced by 5.7%. As noted on Page 10, for Fiscal Year 2023, the State Legislature has appropriated sufficient funds to pay the debt service on all of the currently outstanding indebtedness under the Resolution coming due in Fiscal Year 2023.

RESOLUTION – Events of Default” herein for a description of the application of Pledged Property during an Event of Default.

Pursuant to the Act, the Authority, the State Treasurer and the Commissioner have entered into an agreement entitled “Fourth Amended and Restated Contract Implementing Funding Provisions of the New Jersey Transportation Trust Fund Authority Act with respect to Transportation System Bonds” (the “State Contract”), a copy of which is attached as APPENDIX III to this Official Statement. The State Contract implements the financing and funding arrangements contemplated by the Act, as amended by the 2016 Legislation, with respect to the Authority's Transportation System Bonds. See “APPENDIX III – COPY OF THE FOURTH AMENDED AND RESTATED STATE CONTRACT” herein.

All payments by the State to the Authority are subject to and dependent upon appropriations being made from time to time by the State Legislature for the purposes of the Act. See APPENDIX I attached hereto for a summary of certain financial and other information relating to the State. The State Legislature has always made appropriations in previous Fiscal Years in amounts sufficient to pay debt service on the Authority's Bonds and applicable Financing Facility Payment Obligations. However, the State Contract does not legally obligate the State Legislature to appropriate moneys sufficient to pay amounts when due on the 2023 Series A Bonds or otherwise due under the State Contract. Thus, although the Resolution provides for the remedy of specific performance to require the Authority to perform its covenants in the Resolution (including its covenants to enforce the terms of the State Contract), there are no remedies available to the Bondholders in the event that the State Legislature does not appropriate sufficient funds to make payments when due under the State Contract.

Statutory Dedication of Certain State Revenues

The Act, as amended by the 2016 Legislation, provides that during each Fiscal Year in which the Authority has Bonds outstanding, the State Treasurer shall, to the extent appropriated by the State Legislature, credit to the Transportation Trust Fund Account – Subaccount for Debt Service for Prior Bonds, a portion of the revenues derived from the following, as determined by the State Treasurer:

(a) an amount equivalent to all revenue derived from the collection of the tax imposed on the sale of motor fuels pursuant to Chapter 39 of Title 54 of the Revised Statutes (the “Motor Fuels Tax”), as provided in Article VIII, Section II, paragraph 4 of the State Constitution, plus

(b) an amount equivalent to moneys received by the State annually from the Toll Road Authorities pursuant to the Toll Road Authority Contracts, provided that the amount so credited shall not be less than \$24,500,000 in any Fiscal Year, plus

(c) an amount equivalent to the sum of the revenues due from the increase of fees for motor vehicle registrations collected pursuant to the amendment to R.S. 39:3-20 made by section 32 of L. 1984, c. 73, and from the increase in the tax on diesel fuels imposed pursuant to the amendment to R.S. 54:39-27 made by section 35 of L. 1984, c. 73, and by L. 1987, c. 460, and as amended by section 18 of L. 1992, c. 23, and repealed by section 56 of L. 2010, c. 22, and now imposed pursuant to section 3 of L. 2010, c. 22 (C. 54:39-103), but not less than \$30,000,000, plus

(d) the additional motor vehicle registration fees collected pursuant to subsection a. of section 68 of L. 1990, c. 8 (C. 17:33B-63), but not less than \$60,000,000 during any Fiscal Year, plus

(e) an amount equivalent to all revenue derived from the tax imposed on the sale of petroleum products pursuant to L. 1990, c. 42 (C. 54:15B-1 *et seq.*), plus

(f) an amount equivalent to the revenue derived from the tax imposed under the “Sales and Use Tax Act”, L. 1966, c. 30 (C. 54:32B-1 *et seq.*) on the sale of new motor vehicles, but not less than \$200,000,000 for any Fiscal Year, as provided in Article VIII, Section II, paragraph 4 of the State Constitution, plus

(g) such additional amounts as are necessary to carry out the provisions of the Act.

The Act further provides that, subject to appropriations being made from time to time by the State Legislature for the purposes of the Act, the State Treasurer shall pay to the Authority, no later than the fifth (5th) business day of the month following the month in which a credit has been made, the amounts credited to the Transportation Trust Fund Account – Subaccount for Debt Service for Prior Bonds. See “SECURITY FOR THE 2023 SERIES A BONDS – Constitutional Dedication of Certain State Revenues” below.

In accordance with the Act, the State Contract provides for the payments of these revenues to the Authority, subject to appropriations being made by the State Legislature for the purposes of the Act.

Constitutional Dedication of Certain State Revenues

Assembly Concurrent Resolution No. 1 of 2015, which was passed by the State General Assembly and State Senate on January 11, 2016 and approved by the voters of the State in the November 2016 general election, amended Article VIII, Section II, paragraph 4 of the State Constitution to provide as follows:

There shall be credited to a special account in the General Fund the following:

A. for each Fiscal Year commencing on and after July 1, 2007 through the Fiscal Year commencing on July 1, 2015, an amount equivalent to the revenue derived from \$0.105 per gallon from the tax imposed on the sale of motor fuels pursuant to Chapter 39 of Title 54 of the Revised Statutes, and for each Fiscal Year thereafter, an amount equivalent to all revenue derived from the collection of the tax imposed on the sale of motor fuels pursuant to Chapter 39 of Title 54 of the Revised Statutes or any other subsequent law of similar effect;

B. for the 2001 an amount not less than \$100,000,000 derived from the State revenues collected from the tax on the gross receipts of the sale of petroleum products imposed pursuant to L. 1990, c. 42 (C. 54:15B-1 *et seq.*), as amended and supplemented, or any other subsequent law of similar effect, for each Fiscal Year from Fiscal Year 2002 through Fiscal Year 2016 an amount not less than \$200,000,000 derived from those revenues, and for each Fiscal Year thereafter, an amount equivalent to all revenue derived from the collection of the tax on the gross receipts of the sale of petroleum products imposed pursuant to P.L.1990, c.42 (C.54:15B-1 *et seq.*) as amended and supplemented, or any other subsequent law of similar effect; and

C. for the Fiscal Year 2002 an amount not less than \$80,000,000 from the State revenue collected from the State tax imposed under the “Sales and Use Tax Act”, pursuant to L. 1966, c. 30 (C. 54:32B-1 *et seq.*), as amended and supplemented, or any other subsequent law of similar effect, for the Fiscal Year 2003 an amount not less than \$140,000,000 from those revenues, and for each Fiscal Year thereafter an amount not less than \$200,000,000 from those revenues;

provided, however, the dedication and use of such revenues as provided in this paragraph shall be subject and subordinate to (i) all appropriations of revenues from such taxes made by laws enacted on or before December 7, 2006 in accordance with Article VIII, Section II, paragraph 3 of the New Jersey State Constitution in order to provide the ways and means to pay the principal and interest on bonds of the State presently outstanding or authorized to be issued under such laws or (ii) any other use of those revenues enacted into law on or before December 7, 2006.

These amounts shall be appropriated from time to time by the State Legislature, only for the purposes of paying or financing the cost of planning, acquisition, engineering, construction, reconstruction, repair and rehabilitation of the transportation system in the State, and it shall not be competent for the State Legislature to borrow, appropriate or use these amounts or any part thereof for any other purpose, under any pretense whatsoever. (Article VIII, Section II, paragraph 4 of the State Constitution).

The above provision of the State Constitution does not require that the constitutionally dedicated amounts be appropriated to the Authority and any such amounts not appropriated to the Authority can be used by the State to pay the costs of various transportation system related projects in the State, including the payment of debt service on any indebtedness issued to finance the costs of such projects. However, pursuant to the Act and the State Contract, the State Treasurer must, subject to appropriation by the State Legislature, credit to the Transportation Trust Fund Account – Subaccount for Debt Service for Prior Bonds and pay to the Authority, an amount equivalent to a portion of the revenues derived from the dedicated amount of the Motor Fuels Tax and of the dedicated amounts of the other taxes described in clauses B and C above.

State Appropriations and Legislation

Although the State Legislature has always made appropriations to the Authority in each Fiscal Year in amounts sufficient to timely pay the debt service on all of the Authority's outstanding indebtedness coming due in such Fiscal Year, the State Legislature, in several Fiscal Years, has made appropriations to the Authority that were less than the minimum amounts specified in the State Contract for such Fiscal Year.

For Fiscal Year 2023, which began on July 1, 2022, the State Legislature appropriated \$1,150,350,000 to the Transportation Trust Fund Account – Subaccount for Debt Service for Prior Bonds and \$402,586,000 to the Transportation Trust Fund Account – Subaccount for Debt Service for Transportation Program Bonds. The combined amount is expected to be sufficient to pay the debt service on all of the currently outstanding indebtedness under the Resolution, and under the 2012 Program Bond Resolution, coming due in such Fiscal Year. See also the footnote on page 7 for more information on the impact of the federal budget sequester on the Authority.

There can be no assurance that, in the event the State experiences financial difficulty, or the adoption of the annual appropriations act is delayed or is subsequently amended, or for any other reason, the State Legislature will appropriate sufficient funds in the future to enable the Authority to timely pay the principal of or interest on the Outstanding Transportation System Bonds of the Authority, including the 2023 Series A Bonds. In addition, any appropriation is subject to the availability of funds. See APPENDIX I – “STATE FINANCES – Budget and Appropriation Process” herein.

As noted in Footnote 1 to the table under the heading “DEBT SERVICE SCHEDULE – TRANSPORTATION SYSTEM BONDS” herein, the debt service payable on the New Jersey Economic Development Authority’s Transportation Project Sublease Revenue and Revenue Refunding Bonds (New Jersey Transit Corporation Projects) 2017 Series and the New Jersey Economic Development Authority’s NJ Transit Transportation Project Bonds, 2020 Series A and NJ Transit Transportation Project Bonds, 2022 Series A (Portal North Bridge Project) is also payable from funds appropriated to the Authority and the Transportation Trust Fund Account -- Subaccount for Capital Reserves.

Statutes concerning taxes, including the sales and use tax, motor fuels taxes and petroleum products gross receipts taxes, which are appropriated to pay principal of and interest on the Authority’s Bonds are subject to amendment or repeal by the State Legislature at any time. In addition, Section 14(h) of L. 2016, c. 57 (“Chapter 57”) provides that a portion of the petroleum products gross receipts tax imposed pursuant to L. 1990, c. 42 (C. 54:15B-1 et seq.) (the “Petroleum Products Gross Receipts Tax”) may not be imposed following a certification by a review council (which review council has not yet been convened), consisting

of the State Treasurer, the Legislative Budget and Finance Officer, and a third public member, that the scheduled implementation of Chapter 57 has been impeded, which certification shall be made within five days of any Legislative action that halts, delays or reverses the implementation of those sections contained in Chapter 57 on the date of enactment of Chapter 57.

Pursuant to N.J.S.A. 54:15B-3(a)(2)(a), the Petroleum Products Gross Receipts Tax is imposed on the gross receipts from the first sale of gasoline, blended fuel that contains gasoline or is intended for use as gasoline, liquefied petroleum gas and aviation fuel at a rate of 4.0 cents per gallon, which rate is fixed and is not subject to adjustment (the "Gasoline PPGR Tax"). Pursuant to N.J.S.A. 54:15B-3(a)(2)(b), the Petroleum Products Gross Receipts Tax is imposed on the gross receipts from the first sale of diesel fuel, blended fuel that contains diesel fuel or is intended for use as diesel fuel, and kerosene, other than aviation grade kerosene, at a rate of 4.0 cents per gallon, before July 1, 2017 (the "Original Diesel Fuel PPGR Tax," and together with the Gasoline PPGR Tax, the "Original PPGR Tax") and at a rate of 8.0 cents per gallon on and after July 1, 2017 (the "Diesel Fuel PPGR Tax"), which rate is fixed and is not subject to adjustment.

Chapter 57, which was adopted in October 2016 and amended N.J.S.A. 54:15B-1 et seq., imposed a new separate tax on "highway fuel" (the "Highway Fuels PPGR Tax"), which became a component of the Petroleum Products Gross Receipts Tax, of 22.6 cents per gallon on gasoline and 22.7 cents per gallon on diesel fuel. For purposes of Chapter 57, "highway fuel" is defined to mean gasoline, blended fuel that contains gasoline or is intended for use as gasoline, liquefied petroleum gas, diesel fuel, blended fuel that contains diesel fuel or is intended for use as diesel fuel, and kerosene, other than aviation grade kerosene. Chapter 57 also provides that, for Fiscal Year 2018 and each Fiscal Year thereafter through and including Fiscal Year 2026, the rate at which the Highway Fuels PPGR Tax is imposed is required to be adjusted annually so that total revenue derived by the State from the Motor Fuels Tax, the Original PPGR Tax and the Highway Fuels PPGR Tax in each such Fiscal Year will not exceed a capped amount, as adjusted, determined in accordance with the provisions of Chapter 57 (the "Cap Amount"). In order to implement such annual adjustment of the Highway Fuels PPGR Tax rate, on or before August 15 of each Fiscal Year following Fiscal Year 2017, the State Treasurer and the Legislative Budget and Finance Officer are required to determine the total revenue derived by the State from the Motor Fuels Tax, the Original PPGR Tax and the Highway Fuels PPGR Tax collected in the prior Fiscal Year (the "Prior Year Total Revenues"). On the basis of such Prior Year Total Revenues, and in consultation with the Legislative Budget and Finance Officer, the State Treasurer then determines the Highway Fuels PPGR Tax rate to be imposed in the current Fiscal Year which is expected to result in the total revenue derived by the State from the Motor Fuels Tax, the Original PPGR Tax and the Highway Fuels PPGR Tax collected in such current Fiscal Year being equal to the Cap Amount. Pursuant to Chapter 57, the Highway Fuels PPGR Tax rate so determined by the State Treasurer, in consultation with the Legislative Budget and Finance Officer, becomes effective on October 1 of the then current Fiscal Year, without the need for any further legislative action. Additionally, if the amount of the Prior Year Total Revenues for any prior Fiscal Year exceeds the Cap Amount for such prior Fiscal Year, the Cap Amount for the succeeding Fiscal Year shall be decreased by the amount of such excess for the purposes of establishing the Highway Fuels PPGR Tax rate for such succeeding Fiscal Year. If the amount of the Prior Year Total Revenues for any prior Fiscal Year is less than the Cap Amount for such prior Fiscal Year, the Cap Amount for the succeeding Fiscal Year shall be increased by the amount of such shortfall for the purposes of establishing the Highway Fuels PPGR Tax rate for such succeeding Fiscal Year.

In accordance with the provisions of Chapter 57 relating to the annual adjustment of the Highway Fuels PPGR Tax rate described above, on August 30, 2018, the State Treasurer announced that, as a result of a shortfall in revenues collected from the Motor Fuels Tax, the Original PPGR Tax and the Highway Fuels PPGR Tax in each of the two prior Fiscal Years, the Cap Amount for Fiscal Year 2019 would be \$2,073,100,000 and that, in order to generate sufficient revenue to reach such Cap Amount assuming stable motor fuels consumption, the Highway Fuels PPGR Tax rate for Fiscal Year 2019, which became effective

on October 1, 2018, would be 26.9 cents per gallon, an increase of 4.3 cents per gallon over the then current Fiscal Year 2019 rate.

On August 29, 2019, the State Treasurer announced that there would be no increase in the Highway Fuels Tax rate for Fiscal Year 2020.

On August 28, 2020, the State Treasurer announced that, as a result of a projected shortfall in revenues collected from the Motor Fuels Tax, the Original PPGR Tax and the Highway Fuels PPGR Tax in Fiscal Year 2020, the Cap Amount for Fiscal Year 2021 would be \$2,102,000,000 and that, in order to generate sufficient revenue to reach such Cap Amount assuming stable motor fuels consumption, the Highway Fuels PPGR Tax rate for Fiscal Year 2021, which became effective on October 1, 2020, would be 36.2 cents per gallon, an increase of 9.3 cents per gallon over the then current Fiscal Year 2020 rate.

On August 24, 2021, the State Treasurer announced that, as a result of a projected surplus in revenues collected from the Motor Fuels Tax, the Original PPGR Tax and the Highway Fuels PPGR Tax in Fiscal Year 2021, the Cap Amount for Fiscal Year 2022 would be \$1,897,000,000 and that the Highway Fuels PPGR Tax rate for Fiscal Year 2022, which became effective on October 1, 2021, would be 27.9 cents per gallon, a decrease of 8.3 cents per gallon from the then current Fiscal Year 2021 rate.

On August 29, 2022, the State Treasurer announced that, as a result of a projected surplus in revenues collected from the Motor Fuels Tax, the Original PPGR Tax and the Highway Fuels PPGR Tax in Fiscal Years 2021 and 2022, the Cap Amount for Fiscal Year 2022 would be \$1,902,000,000 and that the Highway Fuels PPGR Tax rate for Fiscal Year 2023, which became effective on October 1, 2022, would be 26.9 cents per gallon, a decrease of 1.0 cents per gallon from the then current Fiscal Year 2022 rate.

The following chart is a summary of the cents per gallon tax rate for the Motor Fuels Tax, the Gasoline PPGR Tax, the Diesel Fuel PPGR Tax and the Highway Fuels PPGR Tax as of October 1, 2022:

**Highway Fuel Tax Rates
(cents per gallon)
As of October 1, 2022**

<u>Tax Rate</u>	<u>Gasoline</u>	<u>Diesel Fuel</u>
Motor Fuels Tax	\$0.105	\$0.135
Petroleum Products Gross Receipts Tax (imposed pursuant to N.J.S.A. 54:15B-3(a)(2)(a) & (b))	0.040	0.080
Highway Fuels PPGR Tax	<u>0.269</u>	<u>0.362</u>
TOTAL:	\$0.414	\$0.484

State's General Taxing Power Not Pledged

Pursuant to the Act and the Resolution, the 2023 Series A Bonds shall be special obligations of the Authority and shall not be in any way a debt or liability of the State or any political subdivision thereof (other than the Authority to the limited extent set forth in the Resolution) and shall not create or constitute any indebtedness, liability or obligation of the State or of any political subdivision thereof (other than the Authority to the limited extent set forth in the Resolution) or be or constitute a pledge of the faith and credit of the State or of any political subdivision thereof. The Authority has no taxing power. All Prior Bonds,

Financing Facility Payment Obligations and other obligations of the Authority under the Resolution, unless funded or refunded by bonds, notes or other obligations of the Authority issued under the Resolution, shall be payable solely from the Pledged Property under the Resolution.

Flow of Funds

Pursuant to the Resolution, all Revenues are required to be promptly deposited by the Authority as received into the Transportation Improvement Fund. The Authority is required to pay, transfer or credit to the Trustee, for deposit in the following Funds and Accounts, on the following dates and in the following order of priority the amounts set forth below, but only to the extent the amount in the Transportation Improvement Fund shall be sufficient therefor:

(1) On or before each Payment Date with respect to each Series of Bonds:

(a) For deposit in the Debt Service Fund, the amount, if any, required so that the balance in said Fund shall equal the amounts of Debt Service on all Series of Bonds coming due on such Payment Date; and

(b) For deposit to the Debt Service Reserve Fund, the amount, if any, required so that the balance in said Fund shall equal the sum of the amounts of Debt Service Reserve Requirement on all Reserve Fund Bonds, if any, for such Payment Date. See “SECURITY FOR THE 2023 SERIES A BONDS – No Debt Service Reserve Fund” below.

(2) On or before the due dates thereof, for deposit in the Debt Service Fund, the amount of any Financing Facility Payment Obligations.

(3) On or before the due dates thereof, and subject and subordinate at all times to the payments, credits or transfers required as described in paragraphs 1 and 2 above, for deposit in the Subordinated Debt Fund, the amount of any principal, prepayment or Redemption Price, interest or other amounts payable in connection with any Subordinated Debt, including swap termination payments, if any.

Certain Covenants of the State and the Authority

Pursuant to the Act, the State has covenanted (i) that it will not limit or alter the rights or powers of the Authority in any way that would jeopardize the interests of the holders of the bonds, notes or other obligations of the Authority, (ii) that it will not inhibit or prevent performance or fulfillment by the Authority of the terms of any agreements made with the holders of the bonds, notes or other obligations of the Authority, and (iii) that it will not prevent the Authority from (a) obtaining sufficient revenues that, together with other available funds, shall be sufficient to meet all expenses of the Authority and fulfill the terms of any agreement made with the holders of the bonds, notes or other obligations of the Authority, together with the interest thereon, interest on any unpaid installments of interest and all costs and expenses in connection with any action or proceeding by or on behalf of the holders of the bonds, notes or other obligations of the Authority, or (b) receiving payment of funds of the Toll Road Authorities or other State agencies as provided in any agreement with such Toll Road Authorities or other State agencies, until the bonds, notes or other obligations of the Authority, together with interest thereon, are fully met and discharged or provided for. However, the Act further provides that the failure of the State to appropriate moneys for any purpose of the Act shall not be deemed or construed to be a violation of these covenants.

Under the Resolution, the Authority has covenanted with the Bondholders to enforce the State Contract and not to amend the State Contract in a manner that would reduce the amounts payable to the Authority or to extend the times when such payments are to be made thereunder. The Authority has also

covenanted to pay, but solely from the Pledged Property, the Debt Service coming due on the Bonds in each year in which Bonds issued by the Authority are outstanding.

No Debt Service Reserve Fund

Although the Authority may issue Transportation System Bonds pursuant to the Resolution that are further secured by an Account in the Debt Service Reserve Fund established under the Resolution (“Reserve Fund Bonds”), the 2023 Series A Bonds are not Reserve Fund Bonds and there currently are no Reserve Fund Bonds Outstanding under the Resolution. However, the Authority may, in its discretion, issue one or more series of Reserve Fund Bonds in the future. If the Authority does so, any funds on deposit in the Debt Service Reserve Fund will not be security for, and will not be available to pay debt service on, the 2023 Series A Bonds.

Refunding Bonds

One or more series of Refunding Bonds may be issued at any time to refund any or all Outstanding Bonds. Such Refunding Bonds shall be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make the deposits in the Funds and Accounts under the Resolution required by the provisions of the Supplemental Resolution authorizing such Refunding Bonds. The Act provides that no Refunding Bonds shall be issued unless the Authority shall first determine that the present value of the aggregate principal of and interest on the refunding bonds is less than the present value of the aggregate principal of and interest on the outstanding bonds to be refinanced, with present value to be computed using a discount rate equal to the yield of those Refunding Bonds, and yield shall be computed using an actuarial method based upon a 360-day year with semiannual compounding and upon the prices paid to the Authority by the initial purchasers of those Refunding Bonds. See “APPENDIX II – SUMMARY OF THE RESOLUTION – Refunding Bonds”. Any decision by the Authority to issue Refunding Bonds must be approved by JBOC. The 2023 Series A Bonds constitute Refunding Bonds. JBOC approved the issuance of the 2023 Series A Bonds on January 23, 2023.

Transportation Program Bonds

The Act authorizes the issuance of Transportation Program Bonds. Although Transportation Program Bonds are not issued under the Resolution, the source of payment for debt service on Transportation Program Bonds is and will be the Constitutionally Dedicated Revenues, which Constitutionally Dedicated Revenues are also the primary source of payment for the Transportation System Bonds, including the 2023 Series A Bonds. See “SECURITY FOR THE 2023 SERIES A BONDS – Constitutional Dedication of Certain State Revenues”, “SECURITY FOR THE 2023 SERIES A BONDS – Statutory Dedication of Certain State Revenues” and “TRANSPORTATION PROGRAM BONDS” herein.

STATUTORY DEBT ISSUANCE LIMITATIONS

Transportation System Bonds – New Money Bonds

The statutory debt issuance limitations for the Transportation System Bonds were last set by L. 2006, c. 3. As of the date hereof, there is no remaining unused statutory debt cap under the Act, as amended by L. 2006, c. 3, for the Transportation System Bonds (except for a nominal amount representing the amount thereof in excess of the nearest integral multiple of \$5,000). Accordingly, under the Act, only Refunding Bonds may be issued under the Resolution.

Transportation System Bonds - Refunding Bonds

The Act provides that no refunding bonds shall be issued unless the Authority shall first determine that the present value of the aggregate principal amount of and interest on the refunding bonds is less than the present value of the aggregate principal amount of and interest on the Outstanding Bonds to be refinanced, with present value computed using a discount rate equal to the yield of those refunding bonds, and yield computed using an actuarial method based upon a 360-day year with semiannual compounding and upon the prices paid to the Authority by the initial purchasers of those refunding bonds. The Act further provides that upon the decision by the Authority to issue refunding bonds, and prior to the sale of those refunding bonds, the Authority shall transmit to JBOC a report that a decision has been made, reciting the basis on which the decision was made, including an estimate of the debt service savings to be achieved and the calculations upon which the Authority relied when making the decision to issue refunding bonds. The report shall also disclose the intent of the Authority to issue and sell the refunding bonds at public or private sale and the reasons therefor.

Transportation Program Bonds – New Money Bonds

The Act, as amended by the 2016 Legislation, authorizes the issuance of new money Transportation Program Bonds during the period that commenced on the day that Assembly Concurrent Resolution No. 1 of 2015, a constitutional amendment to Article VIII, Section II, paragraph 4 of the New Jersey State Constitution, took effect (December 8, 2016) and ending June 30, 2024 in an amount not in excess of \$12,000,000,000. Any premiums received in connection with the issuance of Transportation Program Bonds during such period (whether for new money purposes or for refunding purposes) shall count against any limitation as to the amount of new money Transportation Program Bonds the Authority may issue during such period. The 2023 Series A Bonds are not Transportation Program Bonds. See “TRANSPORTATION PROGRAM BONDS” herein.

Transportation Program Bonds – Refunding Bonds

The issuance by the Authority of bonds, notes or other obligations, including subordinated obligations, for refunding purposes is not subject to the limitations described in the preceding paragraph, except that any premiums received in connection with the issuance of Transportation Program Bonds issued for refunding purposes shall count against the limitations described in the preceding paragraph with respect to the issuance of Transportation Program Bonds for new money purposes.

The Act provides that no refunding bonds shall be issued unless the Authority shall first determine that the present value of the aggregate principal amount of and interest on the refunding bonds is less than the present value of the aggregate principal amount of and interest on the Outstanding Bonds to be refinanced, with present value computed using a discount rate equal to the yield of those refunding bonds, and yield computed using an actuarial method based upon a 360-day year with semiannual compounding and upon the prices paid to the Authority by the initial purchasers of those refunding bonds. The Act further provides that upon the decision by the Authority to issue refunding bonds, and prior to the sale of those refunding bonds, the Authority shall transmit to JBOC a report that a decision has been made, reciting the basis on which the decision was made, including an estimate of the debt service savings to be achieved and the calculations upon which the Authority relied when making the decision to issue refunding bonds. The report shall also disclose the intent of the Authority to issue and sell the refunding bonds at public or private sale and the reasons therefor.

TRANSPORTATION PROGRAM BONDS

The Act provides that the payment of debt service on Transportation Program Bonds and any agreements issued in connection therewith shall be paid solely from Constitutionally Dedicated Revenues deposited into the Transportation Trust Fund Account – Subaccount for Debt Service for Transportation Program Bonds established pursuant to the Act.

To implement the provisions of the Act, the Authority adopted the 2012 Transportation Program Bond Resolution. In connection with the issuance of the first series of Transportation Program Bonds under the 2012 Transportation Program Bond Resolution, the State Treasurer, the Commissioner and the Authority entered into a Contract Implementing Funding Provisions of the New Jersey Transportation Trust Fund Authority Act with respect to Transportation Program Bonds.

For Fiscal Year 2023, which began on July 1, 2022, the State Legislature appropriated \$402,586,000 to the Transportation Trust Fund Account – Subaccount for Debt Service for Transportation Program Bonds, which amount will be sufficient to pay the debt service on the outstanding Transportation Program Bonds coming due in such Fiscal Year.

Bonds issued to finance future State Transportation System Costs are expected to be issued as (i) Transportation Program Bonds under the 2012 Transportation Program Bond Resolution and (ii) Federal Highway Reimbursement Revenue Notes.

PLAN OF FINANCE

On May 8, 2023, the Authority released an Invitation to Tender Bonds (the “Invitation”), inviting the beneficial owners of the Authority’s Outstanding Bonds of certain Series and maturities identified in the Invitation (the “Target Bonds”) to tender their Target Bonds for purchase by the Authority on the terms and conditions set forth in the Invitation (the “Tender Offer”). Pursuant to the Invitation, the owners of the Target Bonds may tender their Target Bonds and, subject to the conditions set forth in the Invitation, the Authority expects to purchase some or all of the tendered Target Bonds for cash at the purchase prices and on the other terms and conditions set forth in the Invitation, as supplemented or amended via pricing notice or otherwise. The tendered Target Bonds to be purchased by the Authority (which constitute the “Bonds to be Purchased” for purposes of this Official Statement and are more fully described in APPENDIX VII to this Official Statement) will be cancelled on the date of issuance and delivery of the 2023 Series A Bonds and will no longer be Outstanding under the Resolution. The proceeds of the 2023 Series A Bonds will be used by the Authority to pay (i) the purchase prices of the Bonds to be Purchased and/or the costs of defeasing the Bonds to be Defeased, and (ii) the costs of issuance of the 2023 Series A Bonds and the costs of the Invitation. See “ESTIMATED SOURCES AND USES OF FUNDS” herein.

The Target Bonds will be tendered to the Authority under the terms of the Invitation with the assistance of Jefferies LLC (“Jefferies”), in its capacity as the Dealer Manager of the Tender Offer. Jefferies will be reimbursed for any expenses it incurs as the Dealer Manager of the Tender Offer. Jefferies is also the Underwriter of the 2023 Series A Bonds. See “UNDERWRITING” herein.

This discussion is not intended to summarize the terms of the Invitation, or to solicit offers to tender Target Bonds, and reference is made to the Invitation for a complete discussion of the terms of the Invitation and the conditions for the settlement of the Target Bonds validly tendered and accepted for purchase. The Authority has filed the Invitation with the Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Market Access service (“EMMA”).

ESTIMATED SOURCES AND USES OF FUNDS*

The estimated sources and uses of funds in connection with the issuance of the 2023 Series A Bonds are expected to be as set forth below:

Sources of Funds:

Par Amount of 2023 Series A Bonds	\$262,780,000
Net Original Issue Premium.....	<u>15,127,855</u>
Total Sources of Funds.....	<u>\$277,907,855</u>

Uses of Funds:

Purchase Price of Bonds to be Purchased	\$229,892,319
Deposit to Escrow Fund.....	46,923,555
Costs of Issuance ⁽¹⁾	264,224
Underwriter's Discount.....	<u>827,757</u>
Total Uses of Funds	<u>\$277,907,855</u>

⁽¹⁾ Includes bond ratings, printing, legal fees, Trustee fees and other expenses relating to the issuance and sale of the 2023 Series A Bonds and the costs of the Invitation.

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* Preliminary, subject to change.

DEBT SERVICE SCHEDULE – TRANSPORTATION SYSTEM BONDS

The following table sets forth the debt service requirements for the Bonds Outstanding under the Resolution, including the 2023 Series A Bonds, and certain related obligations in each Fiscal Year.

Fiscal Year	Prior Bonds Gross Debt Service^{1,2}	2023 Series A Bonds Debt Service *	Total Gross Debt Service^{1,2*}
2023	\$ 1,143,889,316	-	\$ 1,143,889,316
2024	1,061,782,695	\$ 59,649,961	1,121,432,656
2025	1,087,334,659	10,839,000	1,098,173,659
2026	1,089,824,837	10,839,000	1,100,663,837
2027	1,092,049,916	10,839,000	1,102,888,916
2028	1,093,677,903	10,839,000	1,104,516,903
2029	1,028,580,166	10,839,000	1,039,419,166
2030	874,875,727	10,839,000	885,714,727
2031	874,549,052	10,839,000	885,388,052
2032	874,216,614	10,839,000	885,055,614
2033	851,640,239	10,839,000	862,479,239
2034	876,717,364	10,839,000	887,556,364
2035	868,079,839	17,339,000	885,418,839
2036	899,582,322	17,334,000	916,916,322
2037	847,876,166	35,478,000	883,354,166
2038	862,959,581	35,482,750	898,442,331
2039	947,284,003	35,479,000	982,763,003
2040	983,631,332	78,264,000	1,061,895,332
2041	912,125,395	33,425,000	945,550,395
2042	210,085,055	21,792,750	231,877,805
2043	81,829,250	-	81,829,250
2044	81,830,538	-	81,830,538
2045	81,828,094	-	81,828,094
2046	37,800,906	-	37,800,906
2047	37,798,606	-	37,798,606
2048	37,801,231	-	37,801,231
2049	37,803,375	-	37,803,375
2050	37,800,000	-	37,800,000
2051	37,802,250	-	37,802,250
2052	37,801,000	-	37,801,000
2053	<u>37,802,000</u>	<u>-</u>	<u>37,802,000</u>
Total[†]	<u>\$ 19,028,659,427</u>	<u>\$ 442,634,461</u>	<u>\$ 19,471,293,888</u>

[†] Total may not add due to rounding.

¹ Includes debt service payments made and to be made in Fiscal Year 2023, and includes debt service on Prior Bonds issued by the Authority and on the New Jersey Economic Development Authority's Transportation Project Sublease Revenue and Revenue Refunding Bonds (New Jersey Transit Corporation Projects) 2017 Series and the New Jersey Economic Development Authority's NJ Transit Transportation Project Bonds, 2020 Series A and the New Jersey Economic Development Authority's NJ Transit Transportation Project Bonds, 2022 Series A (Portal North Bridge Project), which debt service is payable from funds appropriated to the Authority and the Transportation Trust Fund Account – Subaccount for Capital Reserves. Excludes debt service payments on the Bonds to be Purchased and/or Defeased.

² Totals are not adjusted for federal cash subsidy for Build America Bonds. See footnote on Page 7 and "SECURITY FOR THE 2023 SERIES A BONDS – State Appropriations and Legislation" on Page 10.

* Preliminary, subject to change.

DEBT SERVICE SCHEDULE – TRANSPORTATION PROGRAM BONDS

The following table sets forth the debt service requirements for the Transportation Program Bonds Outstanding under the 2012 Transportation Program Bond Resolution in each Fiscal Year.

<u>Fiscal Year</u>	<u>Aggregate Debt Service*</u>
2023	\$ 374,931,027
2024	390,892,781
2025	423,719,376
2026	421,396,376
2027	398,763,701
2028	404,629,138
2029	462,849,826
2030	491,405,151
2031	515,384,481
2032	539,692,044
2033	539,689,656
2034	539,681,656
2035	592,813,019
2036	592,799,256
2037	592,801,506
2038	552,964,681
2039	528,351,381
2040	546,931,900
2041	546,933,438
2042	643,632,600
2043	643,636,938
2044	547,336,413
2045	401,612,663
2046	401,610,988
2047	377,879,575
2048	377,877,650
2049	377,885,350
2050	332,408,300
Total†	<u>\$ 13,560,510,867</u>

* Includes debt service payments made and to be made in Fiscal Year 2023, and debt service on the 2023 Series AA Bonds, which the Authority expects to issue on or about June __, 2023. Excludes debt service payments on the Bonds to be Refunded through the issuance of the 2023 Series AA Bonds.

† Total may not add due to rounding.

THE NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY

Legal Authority and Responsibilities

The Authority is a public body corporate and politic, with corporate succession, constituted as an instrumentality of the State organized and existing under and pursuant to the Act. For the purpose of complying with Article V, Section IV, paragraph 1 of the New Jersey State Constitution, the Authority is allocated within, but is independent of any supervision or control by, the Department. The purpose of the Authority is to provide the payment for and financing of all or a portion of the costs incurred by the Department for the planning, acquisition, engineering, construction, reconstruction, repair and rehabilitation of the State's transportation system, including, without limitation, (i) the State's share (which may include State advances with respect to any Federal share) under Federal aid highway laws of the costs of planning, acquisition, engineering, construction, reconstruction, repair, resurfacing and rehabilitation of public highways, (ii) the State's share (which may include State advances with respect to any Federal share) of the costs of planning, acquisition, engineering, construction, reconstruction, repair, permitted maintenance and rehabilitation of public transportation projects and other transportation projects in the State, and (iii) State aid to counties and municipalities for transportation projects (collectively, the "State Transportation System Costs").

Under the Act, the Commissioner is also authorized to enter into agreements with public or private entities for the loan of federal funds appropriated to the Department for the purpose of financing all, or a portion of, the costs incurred for the planning, acquisition, engineering, construction, reconstruction, repair and rehabilitation of a transportation project by that public or private entity.

Pursuant to the Act, the Commissioner may from time to time (but not more frequently than monthly) certify to the Authority an amount necessary to fund payments made, or anticipated to be made, by or on behalf of the Department from legislative appropriations to the Department of Authority funds. Under the Act, the Authority is obligated to provide such amount from its revenues or other funds, including proceeds of Bonds. The Act directs the Authority, within fifteen (15) days of receipt of the Commissioner's certificate, to transfer funds to the State Treasurer for deposit in a special fund maintained by the State Treasurer (the "Special Transportation Fund") in an amount equal to the amount so certified by the Commissioner. Expenditures from the Special Transportation Fund may be made on behalf of the Department only pursuant to project-specific legislative appropriations. The Department currently provides such certificates on a monthly basis, when cash is necessary for disbursements for transportation system improvements, to attempt to minimize the amounts maintained in the Special Transportation Fund. The Special Transportation Fund is not pledged as security for obligations issued by the Authority under the Resolution.

Membership and Officers of the Authority

The Act provides that the Authority shall consist of seven members as follows: the Commissioner and the State Treasurer, who are members *ex-officio*, and five public members. Three of the public members are appointed by the Governor of the State (the "Governor"), with the advice and consent of the State Senate, one of whom must represent the interests of trade unions that work on the construction of public highways and another of whom must represent the interests of owners of firms that are eligible to submit bids for the construction of public highways. The two remaining public members also are appointed by the Governor, one upon the recommendation of the President of the State Senate and the other upon the recommendation of the Speaker of the State General Assembly. The public members serve a four-year term; *provided, however*, that the public member appointed by the Governor upon recommendation of the Speaker of the State General Assembly serves a two-year term. Each public member holds office for the term of the member's appointment and until a successor has been appointed and qualified. A member shall be eligible for reappointment. No more than four members of the Authority may be of the same political

party. All members of the Authority serve without compensation but may be reimbursed for their actual expenses necessarily incurred in the discharge of their official duties.

The Act provides that the Commissioner shall serve as Chairperson of the Authority and that the members of the Authority annually shall elect one of their members as Vice Chairperson. The members of the Authority also elect a secretary and a treasurer who need not be members of the Authority, and the same person may be elected to serve as both secretary and treasurer.

The present members of the Authority are:

Diane Gutierrez-Scaccetti: *ex-officio*, Chairperson; Commissioner of the New Jersey Department of Transportation.

Elizabeth Maher Muoio: *ex-officio*; Treasurer of the State of New Jersey.

Greg Lalevee: Vice Chairperson; Statutory Representative of Interest of Trade Unions; Public Member.

Robert A. Briant, Jr.: Chief Executive Officer of the Utility and Transportation Contractors Association; Statutory Representative of Interest of Firm Owners; Public Member.

Nelson Ferreira: President & Chief Executive Officer of Ferreira Construction Company, Inc., Statutory Representative of a Transportation Firm; Public Member.

Jack Kocsis, Jr.: Chief Executive Officer of the Associated Construction Contractors of New Jersey; Public Member.

Khalid Anjum: Chief Innovation Officer of Middlesex County, New Jersey; Public Member.

The officers of the Authority are:

Charles Maciejunes: Executive Director; Acting Chief Financial Officer of the New Jersey Department of Transportation.

David Moore: Treasurer; Director, Office of Public Finance, New Jersey Department of the Treasury.

Anthony Longo: Assistant Treasurer; Deputy Director, Office of Public Finance, New Jersey Department of the Treasury.

Samuel Braun: Comptroller; Division of Budget, New Jersey Department of Transportation.

Naileen Rodriguez: Secretary; Division of Budget, New Jersey Department of Transportation.

Kimberly Minter: Assistant Secretary; Division of Budget, New Jersey Department of Transportation.

Powers of the Authority

Under the terms of the Act, the powers of the Authority are vested in the members thereof in office and four members of the Authority shall constitute a quorum at any meeting thereof. No vacancy in the membership of the Authority shall impair the right of a quorum of the members to exercise all the powers and perform all the duties of the Authority. Action may be taken and motions adopted by the Authority at

any meeting thereof by the affirmative vote of at least four members of the Authority. No action taken by the Authority at any meeting shall have force or effect until fifteen (15) days after a true copy of the minutes of such meeting has been delivered by and under the certification of the secretary of the Authority to the Governor, unless during such fifteen (15) day period the Governor (i) vetoes such action, in which case such action shall not become effective, or (ii) approves in writing the same or any part thereof, in which case the action becomes effective upon such approval.

In addition to the power to enter into the contracts with the State described under the heading “SECURITY FOR THE 2023 SERIES A BONDS— Property Pledged to the 2023 Series A Bonds; the State Contract; the Act; the Resolution” herein, the Authority has (among others) the following powers:

- i. to borrow money and issue its bonds, notes and other obligations and to secure the same by its revenues and other funds and to otherwise provide for and secure the payment thereof, and to provide for the refunding thereof;
- ii. to issue subordinated indebtedness and to enter into revolving credit agreements, lines of credit, letters of credit, reimbursement agreements, interest rate exchange agreements, insurance contracts, surety bonds, bond purchase agreements and other security agreements;
- iii. subject to any agreements with holders of its bonds, notes or other obligations, to invest any moneys not required for immediate use, including proceeds from the sale of bonds, notes or other obligations, at the discretion of the Authority, in such obligations, securities and other investments as the Authority shall deem prudent;
- iv. in its own name, or in the name of the State or in the name of New Jersey Transit Corporation (“NJ Transit”), to apply for and receive and accept appropriations or grants of property, money, services or reimbursements for money previously spent and other assistance made available to it by or from any person, government agency, public authority or any public or private entity whatever for any lawful corporate purpose of the Authority;
- v. subject to any agreement with holders of its bonds, notes or other obligations, to purchase bonds, notes or other obligations of the Authority out of any funds or moneys of the Authority available therefor, and to hold, cancel or resell the bonds, notes or other obligations; and
- vi. to acquire, lease as lessee or lessor, hold and dispose of real and personal property or any interest therein in the exercise of its powers and the performance of its duties under the Act.

No resolution or other action of the Authority providing for the issuance of the bonds, refunding bonds or other obligations shall be adopted by the Authority, or otherwise made effective, without prior written approval of the Governor and the State Treasurer. Any decision by the Authority to issue refunding bonds must be approved by JBOC.

THE TRANSPORTATION SYSTEM IMPROVEMENTS

The transportation system (which includes, but is not limited to, highways, roads, bridges, public transit facilities, pedestrian and bicycle trails, railroad rights-of-way, airports and intermodal facilities) of the State is among the most heavily used in the United States. The Department is implementing transportation system improvements which are expected to enable the State to construct, modernize,

reconstruct, rehabilitate and maintain a safe, balanced, sound and efficient transportation system necessary for the well-being of the State's citizens. The State's commitment to the payment for and the financing of the transportation system improvements in a stable fashion is intended to ensure a predictable and continuing public investment in the State's transportation system.

Pursuant to the Act, the transportation system improvements encompass the planning, acquisition, engineering, construction, reconstruction, repair, capital maintenance assistance, maintenance, operations, resurfacing and rehabilitation and improvement of, and acquisition of easements and rights-of-way with respect to, the transportation system, and any equipment, facility or property useful and related to the provision of any ground, waterborne or air transportation for the movement of people and goods. The transportation system improvements also include State aid to counties and municipalities for local transportation system improvements.

Improvements undertaken by the Department are to be funded primarily by a combination of Federal moneys, Authority funds and funds from the Port Authority of New York and New Jersey and from the New Jersey Turnpike Authority. Pursuant to legislative directive, the Authority is responsible for funding that portion of the State's share of these improvements that are not provided by other sources. Pursuant to the Act, the Authority is required to minimize debt incurrence by first relying on appropriations and other revenues available to the Authority before incurring debt to meet its statutory purposes.

THE NEW JERSEY DEPARTMENT OF TRANSPORTATION

The State Transportation System

New Jersey's transportation system consists of approximately 2,329 center line miles of state highways maintained by the Department, 35,905 center line miles maintained by independent state toll road authorities, county governments and municipal governments, and 757 center line miles maintained by other private and public entities. Approximately 6,805 bridges are located throughout the State, of which 2,590 are owned by the Department, 104 are maintained by NJ Transit, 1,326 are owned by independent state toll road authorities, 2,701 are owned by counties and municipalities and the remainder are owned by other private and public entities.

The State's transportation system also consists of commuter rail, light rail, and bus lines in the State, which are principally operated by NJ Transit. Covering a service area of 5,325 square miles, NJ Transit is one of the nation's largest providers of bus, rail and light rail transit, linking major points in New Jersey, New York and Philadelphia. NJ Transit operates a fleet of over 2,258 buses, 1,291 locomotives and rail cars, and 21 light rail cars. NJ Transit also provides more than 770 buses for routes operated by other carriers. Riders took over 160 million unlinked trips in Fiscal Year 2022 on 253 bus routes, 12 heavy rail lines, and three light rail lines.

NJ Transit also provides connections to other transit systems. At New York's Penn Station, connections are available from NJ Transit lines to Amtrak, the Long Island Railroad and the New York City subway lines. In Trenton, riders can transfer to Southeastern Pennsylvania Transportation Authority ("SEPTA") and Amtrak trains. Hoboken Terminal and Newark Penn Station are transfer points to the Port Authority Trans-Hudson ("PATH") trains to Jersey City and New York City. At Lindenwold in Camden County, the Atlantic City Rail Line operated by NJ Transit connects with New Jersey-Pennsylvania Port Authority Transportation Company ("PATCO") rapid transit services to Camden and Philadelphia and with Amtrak trains.

Organization

The State has an integrated approach to all transportation needs. The Department's responsibilities have steadily changed since its establishment in 1966, with emphasis shifting from primarily highway-related programs to a balanced concern for highways and the preservation and improvement of rail and bus transportation. The Department is responsible for the maintenance and improvement of all State highways and bridges, the provision of assistance to counties and municipalities and the overall planning and coordination of the State's transportation system. The Department also reviews the operations of NJ Transit. Although NJ Transit is self-regulating as to fares and levels of service which it operates or supports, with the exception of interstate bus service, the Department retains certain regulatory control over safety and maintenance. The Department's mission is to provide for the movement of people and goods with a commitment to safety, excellence, efficiency, the environment and its customers-the citizens of the State.

The Department is headed by a Commissioner appointed by and directly responsible to the Governor for fulfilling the purposes and supervising the activities of the Department. The Commissioner is responsible for all policies and directives of the Department and serves as Chairperson of the Authority and of NJ Transit. A Deputy Commissioner, a Chief of Staff, and several Assistant Commissioners assist the Commissioner in managing the Department.

The Deputy Commissioner is responsible for the day-to-day operations of the Department, enabling the Commissioner to better balance his or her time in his or her roles as Chief Executive Officer of the Department, Chairperson of the Authority and of NJ Transit, and an *ex-officio* member of each of the State transportation authorities.

The Chief of Staff is responsible for legislative relations, communications, and customer advocacy, as well as human resource management, employee safety, training and development, civil rights and affirmative action programs.

The Assistant Commissioner for Finance and Administration also serves as the Department's Chief Financial Officer. The Assistant Commissioner's areas of responsibility include budget, accounting and external auditing, information systems, procurement, and capital investments and program coordination. The Assistant Commissioner provides general oversight of the Department's financial affairs, ensures that financial transactions are in compliance with State and Federal regulations and implements sound financial management principles. He also assesses opportunities to improve transportation facilities and services that factor into the development of a Statewide Transportation Capital Investment Strategy, the Annual Capital Program and the Statewide Transportation Improvement Program. In addition, as the Chief Financial Officer, he also acts as Executive Director of the Authority.

The Assistant Commissioner for Planning, Multimodal and Grant Administration is responsible for planning services across all modes of transportation, including the State's public use airports, rail freight infrastructure, and the maritime industry. The Assistant Commissioner also administers State and federal aid programs related to municipal and county governments, operates a research and technology effort that investigates and demonstrates new transportation technologies, and develops an asset management program to optimize investment in the State's existing transportation infrastructure.

The Assistant Commissioner for Capital Program Management ("CPM") is responsible for the development and delivery of the Department's annual Capital Program to ensure that program objectives, project commitments and schedules are met. CPM is comprised of six divisions: Construction Services and Materials, Project Management, Right of Way and Access Management, Capital Program Support, Highway and Traffic Design, and Bridge Engineering and Infrastructure Management. This includes oversight of all aspects of: project management, environmental services, property acquisition, design,

quality assurance, and construction management for all active projects. CPM is also responsible for a number of other engineering functions that are ancillary to the delivery of the Capital Program including: pavement management, the “Good Neighbor” landscaping program, railroad grade crossing safety programs, the New Jersey Major Access Permit Program, the Wireless Communications License Program, and statewide compliance with National Bridge Inspection Standards.

The Assistant Commissioner for Transportation Operations Systems and Support is responsible for maintenance and operation of the State highway system, including snow and ice removal, emergency patrols, intelligent transportation systems and the equipment fleet and regional maintenance yards. The Assistant Commissioner coordinates the traffic operations centers and incident management services provided by the Department and the State’s independent toll road authorities. The Assistant Commissioner is also responsible for the Department’s physical plant facilities.

NJ Transit maintains its own financial management and accounting systems, in accordance with its statutory powers and in conformity with general State practices and Federal requirements. As a general practice, NJ Transit draws funds appropriated by the State on a periodic basis and administers its own investments and disbursements. NJ Transit’s finances are audited annually by an independent auditor and are reported to the State Legislature.

LEGALITY FOR INVESTMENT

The Act provides that the State and all public officers, governmental units and agencies thereof, all banks, trust companies, savings banks and institutions, building and loan associations, savings and loan associations, investment companies and other persons carrying on a banking business, all insurance companies, insurance associations and other persons carrying on an insurance business, and all executors, administrators, guardians, trustees and other fiduciaries may legally invest any sinking funds, moneys or other funds belonging to them or within their control in any bonds or notes issued pursuant to the Act, and the bonds or notes shall be authorized security for any and all public deposits.

LITIGATION

There is no litigation of any nature now pending, or, to the knowledge of the Authority, threatened, restraining or enjoining the issuance, sale, execution or delivery of the 2023 Series A Bonds, or the contemplated uses of the proceeds of the 2023 Series A Bonds, or in any way contesting or affecting the validity of the 2023 Series A Bonds, the State Contract, the Act or any proceedings of the Authority or the State taken with respect to the issuance, sale, execution or delivery thereof, or the pledge or application of any moneys or security provided for the payment of the 2023 Series A Bonds, or the existence or powers of the Authority or the State Contract or the title of any officers or members of the Authority to their respective positions.

CERTAIN LEGAL MATTERS

Legal matters related to the authorization, execution, issuance and delivery of the 2023 Series A Bonds are subject to the approval of M. Jeremy Ostow, Esq., South Orange, New Jersey, Bond Counsel to the Authority (“Bond Counsel”). The opinion of Bond Counsel will be delivered with the 2023 Series A Bonds in substantially the form included in this Official Statement as Appendix V. Certain legal matters in connection with the 2023 Series A Bonds will be passed upon for the Authority by the Attorney General of the State and for the Underwriter by its counsel, Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey.

TAX MATTERS

Exclusion of Interest on the 2023 Series A Bonds From Gross Income for Federal Income 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 and delivery of the 2023 Series A Bonds in order that interest on the 2023 Series A Bonds will be and remain excluded from the gross income of the owners thereof for federal income tax purposes under Section 103 of the Code. In its Tax Regulatory Agreement (the “Tax Certificate”) dated the date of issuance and delivery of the 2023 Series A Bonds, the Authority represents that the Authority expects and intends to be able to comply with, and will, to the extent permitted by law, comply with, the provisions and procedures set forth in the Tax Certificate and will do and perform all acts and things necessary or desirable in order to ensure that interest on the 2023 Series A Bonds will be and remain excluded from gross income for federal income tax purposes. Failure of the Authority to comply with the requirements of the Code may cause interest on the 2023 Series A Bonds to be included in gross income of the owners thereof, retroactive to the date of issuance of the 2023 Series A Bonds. Bond Counsel has relied upon the representations made in the Tax Certificate and has assumed continuing compliance by the Authority with all applicable federal tax law requirements in rendering its opinions with respect to the exclusion of interest on the 2023 Series A 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 regulations, rulings and judicial decisions, interest on the 2023 Series A Bonds is not includable in gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code and is not treated as a preference item under Section 57 of the Code for purposes of computing the federal alternative minimum tax imposed on individuals. However, such interest is taken into account in determining the “adjusted financial statement income” (as defined in Section 56A of the Code) of “applicable corporations” (as defined in Section 59(k) of the Code) for purposes of computing the alternative minimum tax imposed on such corporations for tax years beginning after December 31, 2022.

[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.]

Certain Federal Tax Consequences Relating to the 2023 Series A Bonds

Although interest on the 2023 Series A Bonds is excluded from gross income for federal income tax purposes, the accrual or receipt of interest on the 2023 Series A Bonds may otherwise affect the federal income tax liability of the recipient. The nature and extent of these other tax consequences will depend upon the recipient’s particular tax status and other items of income or deduction. Bond Counsel expresses no opinion regarding any federal tax consequences other than as expressly set forth herein. Prospective purchasers of the 2023 Series A Bonds are advised to consult their own tax advisors as to the tax consequences of purchasing or holding the 2023 Series A Bonds.

The Internal Revenue Service (the “Service”) has an ongoing program of auditing state and local government obligations, which may include randomly selecting bond issues for audit, to determine whether interest paid to the holders thereof is properly excludable from gross income for federal income tax purposes. It cannot be predicted whether the 2023 Series A Bonds will be audited. If an audit is commenced, under current Service procedures, the holders of the 2023 Series A Bonds may not be permitted to

participate in the audit process. The commencement of an audit could adversely affect the value and liquidity of the 2023 Series A Bonds until the audit is concluded, regardless of the ultimate outcome.

New Jersey Gross Income Tax

In the opinion of Bond Counsel, interest on and any gain realized on the sale of the 2023 Series A Bonds are not includable in gross income under the existing New Jersey Gross Income Tax Act.

Future Events

Tax legislation, administrative action taken by tax authorities, and court decisions at the federal level may adversely affect the exclusion from gross income of interest on the 2023 Series A Bonds for federal income tax purposes, and tax legislation, administrative action taken by tax authorities and court decisions at the State level may adversely affect the exclusion of interest on and any gain realized on the sale of the 2023 Series A Bonds under the existing New Jersey Gross Income Tax Act, and any such legislation, administrative action or court decisions could adversely affect the market value or marketability of the 2023 Series A Bonds. Bond Counsel is rendering its opinions under existing law as of the issue date of the 2023 Series A Bonds and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation thereof, or otherwise.

ALL PURCHASERS OF THE 2023 SERIES A BONDS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS REGARDING ANY CHANGES IN THE STATUS OF PENDING OR PROPOSED FEDERAL OR NEW JERSEY STATE TAX LEGISLATION, ADMINISTRATIVE ACTIONS TAKEN BY TAX AUTHORITIES, OR COURT DECISIONS.

ALL PURCHASERS OF THE 2023 SERIES A BONDS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATIONS OF THE CODE.

CONTINUING DISCLOSURE

Upon the issuance and delivery of the 2023 Series A Bonds, the Authority and the State Treasurer will enter into an agreement (the “Continuing Disclosure Agreement”) with the Trustee, as dissemination agent, for the benefit of the holders of the 2023 Series A Bonds, to comply with the secondary market disclosure requirements of the United States Securities and Exchange Commission's Rule 15c2-12. Pursuant to the Continuing Disclosure Agreement, the State Treasurer will covenant to provide certain financial information and operating data relating to the State, to the MSRB. Further, the Authority will covenant to provide notices of the occurrence of certain enumerated events. The Trustee shall file such information on behalf of the State Treasurer and such notices on behalf of the Authority with the MSRB. The Trustee may meet the continuing disclosure filing requirements described above by providing such information to the MSRB or by complying with any other procedure that may be authorized by the United States Securities and Exchange Commission. The specific nature of the information to be contained in the Treasurer’s Annual Report (as such term is defined in the Continuing Disclosure Agreement) or the notices of enumerated events is described in the form of the Continuing Disclosure Agreement set forth in APPENDIX IV hereto.

For the Fiscal Year ended June 30, 2018, the Treasurer’s Annual Report was due to the MSRB no later than March 15, 2019 in connection with its general obligation bonds and no later than April 1, 2019 in connection with its subject-to-appropriation bonds. On March 15, 2019, the Treasurer’s Annual Report was filed without including the State’s Annual Comprehensive Financial Report for the Fiscal Year ended June 30, 2018 (“ACFR”). On March 29, 2019, the State posted a notice on EMMA that the ACFR would

not be filed by April 1, 2019, but would be filed as soon it was available. The ACFR was subsequently filed on EMMA on May 1, 2019.

In addition, the continuing disclosure agreement relating to the Authority's outstanding Transportation System Bonds, 2004 Series A provides that the Authority will provide the Authority's annual report, consisting of the Authority's audited financial statements for each Fiscal Year ending June 30 (the "Authority's Annual Report"). The Authority's Annual Report is required to be filed by the April 1 next following the end of each Fiscal Year. The Authority's Annual Report for its Fiscal Year ending June 30, 2018, was filed on April 16, 2019 and failure to file notices were not posted in connection with the late filings, but a failure to file notice was subsequently filed on September 12, 2019. The continuing disclosure agreements for all subsequent issues of the Authority's Transportation System Bonds and Transportation Program Bonds do not require, and the Continuing Disclosure Agreement for the 2023 Series A Bonds will not require, that the Authority provide the Authority's Annual Report.

In January 2019, the State Treasurer became aware that the Treasurer's Annual Reports and the State's ACFR for Fiscal Year 2014 were filed after the date specified in the continuing disclosure agreement for the New Jersey Economic Development Authority's 1996 Liberty State Park Lease Rental Refunding Bonds. Such bonds were redeemed in full in December 2015, and are no longer outstanding.

For the Fiscal Year ended June 30, 2021, the Treasurer's Annual Report was due to the MSRB no later than March 15, 2022, in connection with its general obligation bonds. On March 15, 2022, the State filed a notice of failure to provide annual information on EMMA that the ACFR would not be filed by March 15, 2022, but would be filed as soon as available. The ACFR was filed on EMMA on May 25, 2022.

For the Fiscal Year ended June 30, 2021, the Treasurer's Annual Report was due to the MSRB no later than April 1, 2022 in connection with the State's subject-to-appropriation bonds. On April 1, 2022, the State filed a notice of failure to provide annual information on EMMA that the ACFR would not be filed by April 1, 2022, but would be filed as soon as available. The ACFR was filed on EMMA on May 25, 2022.

On March 2, 2022, Moody's upgraded the Authority's Transportation System Bonds, Transportation Program Bonds, and Federal Highway Reimbursement Revenue Notes from Baa1 to A3. A notice of the upgrade was posted to EMMA on March 23, 2022, fourteen (14) business days after the upgrade, and such notice was not linked to the CUSIP numbers for the Federal Highway Reimbursement Revenue Notes. The notice of upgrade has since been linked to the Federal Highway Reimbursement Revenue Notes.

The State Treasurer and the Authority have become aware of certain facts that they do not consider to be material but that are disclosed below for the benefit of the holders and Beneficial Owners of its Bonds.

Some information that was made available in a timely manner on EMMA may not have been linked to all relevant CUSIP numbers. In addition, filings with respect to certain bond insurer ratings changes were either posted late or the filings were not posted at all. The State Treasurer and the Authority are not always made aware of or may not have received notices from the rating agencies or the bond insurers of changes in the bond insurers' ratings. Such bond insurer ratings changes may or may not have had an effect on the ratings of the Bonds.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Samuel Klein and Company, LLP (the “Verification Agent”) will verify from the information provided to them the mathematical accuracy, as of the date of delivery of the 2023 Series A Bonds, of the computations contained in the provided schedules to determine that the amount to be deposited pursuant to the Escrow Deposit Agreement will be sufficient to pay, when due, the principal, interest and call premium payment requirements, if any, of the Bonds to be Defeased. The Verification Agent will express no opinion on the assumptions provided to it, nor as to the tax status of the interest on the 2023 Series A Bonds.

UNDERWRITING

The 2023 Series A Bonds are being purchased by Jefferies, in its capacity as the underwriter of the 2023 Series A Bonds (the “Underwriter”). The Underwriter has agreed, subject to certain conditions, to purchase all of the 2023 Series A Bonds at an aggregate purchase price of \$ _____, which is equal to the aggregate principal amount of the 2023 Series A Bonds, [plus [net] original issue premium in the amount of \$ _____,] less an Underwriter’s discount in the amount of \$ _____. The initial public offering prices of the 2023 Series A Bonds set forth on the inside front cover of this Official Statement may be changed without notice by the Underwriter. The Underwriter may offer and sell the 2023 Series A Bonds to certain dealers (including dealers depositing the 2023 Series A Bonds into investment trusts, certain of which may be sponsored or managed by the Underwriter) and others at prices or yields lower than the offering prices or yields set forth on the inside front cover hereof.

The Bonds to be Purchased were tendered to the Authority under the terms of the Invitation with the assistance of Jefferies, in its capacity as the Dealer Manager for the Tender Offer. Jefferies will be reimbursed for any expenses it incurs as the Dealer Manager of the Tender Offer.

RATINGS

Fitch Ratings (“Fitch”), Moody's Investors Service, Inc. (“Moody's”) and S&P Global Ratings, a division of Standard & Poor's Financial Services LLC (“S&P”), have assigned municipal bond ratings of “A”, “A2” and “A-”, respectively, to the 2023 Series A Bonds.

Such ratings reflect only the views of each organization, and an explanation of the significance of such ratings can only be obtained from Fitch, Moody's and S&P. There is no assurance that these 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 the judgment of these rating agencies, circumstances so warrant. Any such downgrade revision or withdrawal of such ratings may have an adverse effect on the market price of the 2023 Series A Bonds.

MISCELLANEOUS

Copies of the Resolution may be obtained upon request from the Office of Public Finance, New Jersey Department of the Treasury, P.O. Box 005, Trenton, New Jersey 08625.

This Official Statement is distributed in connection with the sale and issuance of the 2023 Series A Bonds and may not be reproduced or used, as a whole or in part, for any other purpose. This Official Statement has been duly authorized and approved by the Authority and duly executed and delivered on its behalf by the official signing below.

Any statements in this Official Statement involving matters of opinion, projections or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized. The agreements of the Authority are fully set forth in the Resolution in accordance with the Act, and this Official Statement is not to be construed as a contract or agreement among the Authority, the Underwriter and the purchasers or owners of any 2023 Series A Bonds.

**NEW JERSEY TRANSPORTATION TRUST
FUND AUTHORITY**

By: _____
Name:
Title:

Dated: May __, 2023

APPENDIX I

FINANCIAL AND OTHER INFORMATION RELATING TO THE STATE OF NEW JERSEY

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DATED: APRIL 12, 2023

**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.

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

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

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

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

The Annual Comprehensive Financial Report for the twelve months ending June 30, 2022, including Management’s Discussion and Analysis (the “2022 ACFR”), 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 2022 ACFR on the following website at www.nj.gov/treasury/omb. No statement on that website or any other website is incorporated by 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.

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

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OVERVIEW OF THE STATE'S FINANCIAL CONDITION

Fiscal Years 2022 and 2023

In Fiscal Year 2022, the State's revenues far outpaced its projections and the State ended up seeing substantial increases in its combined ending fund balance.¹ Much of this was attributable to the significant economic rebound the State and the Nation experienced. As of June 30, 2022, the State's combined ending fund balance was approximately \$8.319 billion. As economic momentum continued through the first half of Fiscal Year 2023, a similar pattern evolved. The Fiscal Year 2023 Appropriations Act certified revenues forecasted a revenue decline, but the revised revenue estimates for Fiscal Year 2023 increased significantly. While expectations for the second half of Fiscal Year 2023 are tempered by slowing growth and economic uncertainty, the State projects its June 30, 2023, combined ending fund balance to be approximately \$9.527 billion. The State's combined ending fund balances at the end of Fiscal Year 2022 and Fiscal Year 2023 are the highest combined ending fund balances of the State, both in terms of the absolute amount and relative to the State's expenditures, in recent times.

Governor's Fiscal Year 2024 Budget Message

In the Governor's Fiscal Year 2024 Budget Message, the State anticipates a change from the recent strong annual revenue growth pattern, projecting a small reduction in its revenues for Fiscal Year 2024 by about 0.4 percent when compared to Fiscal Year 2023. The State's revenue forecast projected for Fiscal Year 2024 accounts for various risk factors related to the economic uncertainties facing the State's and country's economy, some of which may result in lower level of revenues being generated compared to Fiscal Year 2023. The Fiscal Year 2024 forecast also includes the initial impact of the expiration of the 2.5 percent surtax of the Corporation Business Tax, which will reduce revenues in the forecast year and thereafter. Overall, Fiscal Year 2024 revenues are expected to hold close to the total level of Fiscal Year 2023, as slow growth continues in personal income and consumer spending, offset by ongoing weakness in the real estate market and structural impacts such as the expiring surtax.

The Governor's Fiscal Year 2024 Budget Message recommends State appropriations for Fiscal Year 2024 of approximately \$53.085 billion. These recommended appropriations are supported by projected State revenues for Fiscal Year 2024 of approximately \$53.829 billion, indicating a structural budget surplus for this fiscal year. The Governor's Fiscal Year 2024 Budget Message projects a combined ending fund balance for the State as of June 30, 2024 of approximately \$10.016 billion, which would represent a further increase from the projected combined ending fund balance as of June 30, 2023.

Risk Factors Facing the State's Financial Condition

The State's economy, like other parts of the country, is experiencing evolving economic conditions that differ from the recent past. The challenges from ongoing elevated price and wage inflation, rising interest rates, banking sector volatility, and the potential for weak economic growth, combine for ongoing fiscal uncertainties. See "FINANCIAL RESULTS AND ESTIMATES—New Jersey Current Economic Outlook" herein. As with other sectors of the economy, the State expects that these challenges are likely to have a material impact on its revenues and expenditures in Fiscal Year 2023, Fiscal Year 2024, and potentially several Fiscal Years in the future. As the State monitors its revenues and expenditures, the State is focused on the following aspects of its financial condition:

- The State's revenues rely, to some extent, on high-income taxpayers who generate wage and non-wage income through certain types of business income and the financial markets. The State's Fiscal Year 2023 revised revenue forecast for the Gross Income Tax builds in a decline of roughly \$600 million in April 2023, as income tax collections from certain high-income sources such as capital gains realizations are expected to fall. Despite a total projected decline of 12.1 percent in April, the State's revenue forecast could still be subjected to significant upward or downward revision as revenue collections could be more or less than estimated. If financial markets continue to encounter

¹ The combined ending fund balance includes the undesignated fund balance and the amounts on deposit in the Surplus Revenue Fund.

volatility and disruption, State revenues in Fiscal Years 2023 and 2024 may be adversely affected in contrast to the revenue surges experienced over the past few years.

- Total budgeted salary costs, across all funding sources, are projected to increase due to contracted salary increases, regular anniversary step costs and assumptions regarding the timing of hiring, separations and the value of salaries for State employees. Economic forecasters anticipate wage and salary growth to exceed pre-pandemic levels this year and next year. Such pressures could increase the costs of various contracts or other expenditures throughout the budget. Most of the employee contracts will expire on June 30, 2023, and the terms of any future contract are unknown. See “STATE EMPLOYEES” herein for the status of employee contracts.
- The State’s health care costs for both employees and retirees are escalating. State health benefits spending declined at the onset of the pandemic. However, the combined average annual growth for active employee and retiree State health benefit costs exceeded 10% in Fiscal Years 2021 and 2022, and current trends indicate Fiscal Year 2024 costs could continue at a slightly reduced pace.
- Due to federal law, states have not been permitted over the past several years to disenroll beneficiaries from the Medicaid program. Under the provisions of the Fiscal Year 2023 federal omnibus bill, states may begin the eligibility review process of April 1, 2023. This review process could possibly result in hundreds of thousands of beneficiaries losing their coverage. The Governor’s Fiscal Year 2024 Budget Message assumes a pace of disenrollments based on historical trends. Funding in Fiscal Year 2024 assumes 308,000 beneficiaries will be disenrolled from the Medicaid program during Fiscal Year 2024 compared to a total Medicaid enrollment in February 2023 of 2.256 million. The precise level and pace of disenrollments is impossible to foresee.

While the State is focused on these aspects of its financial condition, the economic conditions that the Nation and the State are confronting have not been experienced in several decades. The potential for high inflation and weak economic growth may place additional pressure on other aspects of the State’s financial condition. Following enactment of the annual appropriations act, the State closely monitors revenues and expenditures, comparing actual results to projections. In addition to the factors listed above, there could be other supplemental appropriations in Fiscal Years 2023 and 2024. In prior fiscal years, however, mid-year budget savings have offset the need for supplemental appropriations.

CERTAIN CONSTITUTIONAL PROVISIONS AND JUDICIAL DECISIONS

The New Jersey State Constitution (the “State Constitution”) provides for a bicameral State Legislature which meets in biennial 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.

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) (the “Appropriations Clause”). In addition to line-item appropriations for the payment of debt service on bonds, notes or other obligations which are subject to appropriation, beginning in Fiscal Year 2005, the annual Appropriations Act contains a general language provision which appropriates such additional amounts necessary to pay such debt service obligations subject to the approval of the Budget Director (defined below). For bonds which must be paid for from constitutionally-dedicated sources, such supplemental appropriations would need to be from constitutionally-dedicated revenues. (For general information regarding the budget process, see “STATE FINANCES — Budget and Appropriation Process” herein; for the application of the budget process for Fiscal Year 2023, 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 requirement for voter approval 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 "Lance Amendment"). The Lance 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 Lance 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, or for any law authorizing the issuance of general obligation bonds to meet an emergency caused by a disaster.

Judicial Decisions

Pursuant to the Debt Limitation and the Appropriation Clauses described above, the State has issued various types of debt instruments. Under the Debt Limitation Clause, the State issues "General Obligation Bonds" pursuant to separate bond acts approved by the voters at a general election. The faith and credit of the State is pledged for the payment of such General Obligation Bonds. In addition, over the past fifty years, legislation has been enacted from time to time which provides for the issuance of obligations by various independent authorities, the debt service on which is paid by annual appropriations made by the State Legislature ("State Appropriation Obligations").

In December 2000, a challenge was brought seeking a declaration that legislative programs authorizing State Appropriation Obligations violated the Debt Limitation Clause. In 2002, the New Jersey Supreme Court's first ruling in this matter ("*Lonegan I*") was limited solely to the issuance of State Appropriation Obligations by the New Jersey Economic Development Authority ("NJEDA") authorized by the Educational Facilities Construction and Financing Act ("EFCFA"). The Court held that such bonds did not violate the Debt Limitation Clause because such debt was not legally enforceable against the State. The Court ordered additional briefing and argument on the other legislatively authorized State Appropriation Obligations. In 2003, in the New Jersey Supreme Court's second ruling in the matter ("*Lonegan II*"), the Court rejected a broad challenge to the validity of fourteen New Jersey statutes authorizing the issuance of State Appropriation Obligations. The Court held that the Debt Limitation Clause does not apply to debt that is subject to future legislative appropriations because such debt is not legally enforceable against the State. Furthermore, the Court held that under New Jersey law, only debt that is legally enforceable against the State is subject to the Debt Limitation Clause. In reliance upon such rule, the State Legislature responded to changes in the financial markets that reflect modern economic realities to provide for the issuance of debt where the payment is subject to annual legislative appropriation.

Following *Lonegan II*, the State Legislature enacted two laws - the Cigarette Tax Securitization Act of 2004, L. 2004, c. 68 and the Motor Vehicle Surcharges Securitization Act of 2004, L. 2004, c. 70 (collectively, the “Securitization Acts”). The Securitization Acts authorized the issuance of State Appropriation Obligations by the NJEDA and provided that the proceeds of these bonds would be deposited into the General Fund and included as revenues to support the Governor’s certification of revenues for the annual appropriations act (the “Appropriations Act”) as required by the Appropriations Clause. A lawsuit was filed asserting that the Fiscal Year 2005 Appropriations Act was unconstitutional under the Appropriations Clause because of the inclusion of the proceeds of bonds as revenue for the purposes of the Governor’s certification of revenues. The plaintiffs further claimed that absent voter approval, these bonds would be unconstitutional under the Debt Limitation Clause. In July 2004, the Court issued its decision holding that the issuance of bonds under the Securitization Acts did not violate the Debt Limitation Clause but that the proceeds of bonds issued under such acts cannot be included as “revenue” for the purposes of the Appropriations Clause. However, the Court determined that this ruling would be given prospective application only and that the State and the NJEDA would be permitted to proceed with the sale of bonds authorized under the Securitization Acts because barring these bond sales would require significant revisions to, if not a complete overhaul of, that year’s budget, potentially resulting in great disruption to the State Government. *Lance v. McGreevey* (“*Lance v. McGreevey*”).

A further challenge was launched in August 2005, seeking a declaration that the Fiscal Year 2006 Appropriations Act violated the State Constitution because it anticipated revenues in the amount of \$150 million from the proceeds of Tobacco Settlement Asset-Backed Bonds (the “Tobacco Settlement Bonds”) to be issued by the Tobacco Settlement Financing Corporation, a public body corporate and politic and an instrumentality of the State (the “Corporation”). On August 12, 2005, the trial court entered an order in favor of the plaintiffs (i) permanently enjoining the issuance of that portion of the Tobacco Settlement Bonds in excess of that necessary to effectuate the refunding of the Corporation’s Series 2003 Bonds estimated to be \$150 million, (ii) permanently enjoining the transfer of any portion of the proceeds of the Tobacco Settlement Bonds to the State, and (iii) ruling that the proceeds from the sale of the Tobacco Settlement Bonds would not be “revenue” for purposes of the Fiscal Year 2006 Appropriations Act. No appeal was taken and the bonds were not issued.

In July 2008, a complaint was filed in the Superior Court against the State claiming that L. 2008, c. 39 (the “EFCFA Amendment”), was unconstitutional under the Debt Limitation Clause. The EFCFA Amendment, among other things, authorized the issuance by the NJEDA of an additional \$3.9 billion of State Appropriation Bonds. The Superior Court dismissed the complaint in its entirety, with prejudice, in December 2008. In November 2009, the Appellate Division affirmed the Superior Court’s dismissal of the complaint.

In November 2008, as discussed above, the voters approved the Lance Amendment. A suit was filed in December 2008 in the Superior Court, seeking a declaration that the Lance Amendment was unconstitutional. The Plaintiffs claimed that the ballot question and the interpretative statement were defective. In November 2009, the Court dismissed the Plaintiffs’ complaint for failure to state a claim upon which relief can be granted.

In June 2015, the New Jersey Supreme Court issued a decision on the Debt Limitation and Appropriations Clauses in *Burgos v. State* which was a challenge to the State’s failure to make the annual required pension contribution pursuant to L. 2011, c. 78 (“Chapter 78”). Chapter 78 provided for various reforms in the pension and health benefit systems and contained a provision providing a “contractual right” to the State making the annual required pension contribution. The State failed to do so and the Court ruled that “the State Legislature and the Governor were without authority to enact an enforceable and legally binding long-term financial agreement through” Chapter 78. Therefore, the Court found that the pension funding right in Chapter 78 is subject to appropriation. *Burgos v. State of New Jersey, et al.*

In 2018, the Appellate Division issued decisions in cases claiming that State Appropriation Obligations issued to finance projects utilizing a “lease-leaseback” structure through the NJEDA violated the Debt Limitation and Appropriation Clauses. In *Wisniewski v. Murphy*, the Appellate Division affirmed the trial court decision and dismissed a challenge to State Appropriation Obligations issued by NJEDA to finance renovations to the New Jersey State House and the refunding of certain outstanding indebtedness of the New Jersey Building Authority (“NJBA”) relating to prior projects undertaken by the NJBA at the State House. The Appellate Division agreed with the State defendants’ position that the matter was moot and dismissed the case on those grounds. However, due to the likelihood that this type of immediate sale of bonds evading the potential for review could occur in the future, the Appellate Division addressed the merits of plaintiff’s claims. In that regard, the Appellate Division held that: (1) the Debt

Limitation Clause was not violated as the debt was issued by the NJEDA, an independent State authority; (2) the bonds stated on their face that they were not a debt or liability of the State; and (3) the lease-leaseback structure which provides a stream of rental payments, subject to appropriation, to NJEDA to pay the principal and interest on the bonds, is not considered as the State's assumption of such bonded indebtedness.

Two other cases, *Gusciora v. Dept. of the Treasury* and *Wisniewski v. Christie* challenged the issuance of bonds by the NJEDA utilizing a lease-sublease structure to finance the construction of new State buildings for the New Jersey Department of Health, the New Jersey Division of Taxation, and the Juvenile Justice Commission. The Appellate Division denied declaratory and injunctive relief to the plaintiffs who, among several grounds, sought, on an emergency basis, to prohibit the sale of the bonds as violating the Debt Limitation Clause. The trial court denied plaintiffs' motion for a stay, while also transferring the cases to the Appellate Division. The Appellate Division denied the *Gusciora* plaintiffs' request for emergent relief and summarily dismissed the *Gusciora* complaint on the merits, finding that there was no merit to the *Gusciora* plaintiffs' argument that the bond financing violated the Debt Limitation Clause as the bond resolution and the sublease between the NJEDA and the State Division of Property Management and Construction explicitly provided that the State's obligation to make rental payments was subject to appropriation by the State Legislature and that there was no violation of the Lance Amendment as no legislative enactments were involved. With respect to plaintiff Wisniewski, the Appellate Division found that Wisniewski's claim that the issuance of the bonds violated the Debt Limitation Clause did not have a likelihood of success on the merits, citing *Lonegan I* and the *Lance v. McGreevey* cases.

As part of the response to address the financial problems suffered by the State as a result of the consequences of the pandemic, the State Legislature enacted the New Jersey COVID-19 Emergency Bond Act (the "Emergency Bond Act"). The constitutionality of the Emergency Bond Act was challenged in *New Jersey Republican State Committee v. Murphy*. In August 2020, the New Jersey Supreme Court held that the Emergency Bond Act was valid under the Appropriations Clause and the Debt Limitation Clause of the State Constitution, subject to certain limitations. The Court held that subparagraph 3(e) of the Debt Limitation Clause (the "Emergency Exception") provides an exception from the voter approval requirement of subparagraph 3(a) of the Debt Limitation Clause for any debts or liabilities created to meet an emergency caused by a disaster. The Court found that the rare, once-in-a-century, infectious disease of the magnitude of the pandemic was a "disaster" and the subsequent public health emergency, economic emergency impacting individuals and families, and State fiscal crisis all constituted an "emergency" within the confines of the Emergency Exception. The Court also held that the Appropriations Clause does not prohibit borrowing for appropriate purposes under the Emergency Exception, as a contrary reading would lead to a situation where the State could borrow funds to meeting an emergency caused by a disaster but not be able to spend them. Such a finding would be in contradiction to the Framers of the 1947 Constitutional Convention's intent to impose fiscal discipline over the State's fiscal practices and, at the same time, provide flexibility to respond to emergencies caused by a disaster. The Court finally noted that it was not overruling its decision in *Lance v. McGreevey*, which did not consider the Debt Limitation Clause, the Emergency Exception, or their interplay with the Appropriations Clause.

STATE FINANCES

Accounting System

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

Financial Statements

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 Annual Comprehensive Financial Report ("ACFR") includes government-wide financial statements and fund financial statements. These statements present different views of the State's financial information. The ACFR for the twelve months ending June 30, 2022, and the notes referred to therein (the "2022 ACFR") 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 2022 ACFR 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 2022 ACFR.

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

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

Governmental Funds

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

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

Proprietary Funds

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

Fiduciary Funds, which include the State’s Pension Plans, 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

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

Budget and Appropriation Process

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

Fiscal Year 2023 began on July 1, 2022 and ends on June 30, 2023. Fiscal Year 2024 begins July 1, 2023 and ends on June 30, 2024.

Pursuant to the Appropriations Clause, no money may be drawn from the State Treasury except for appropriations made by law. In addition, all monies for the support of State government and all other State purposes, as far as can be ascertained or reasonably foreseen, must be provided for in one general appropriations law covering one and the same fiscal year. The State Legislature enacts the Appropriations Act on an annual basis which provides the basic framework for the operation of governmental funds, including the General Fund. No general appropriations law or other law appropriating money for any State purpose shall be enacted if the amount of money appropriated therein, together with all other prior appropriations made for the same fiscal year, exceeds the total amount of revenue on hand and anticipated to be available for such fiscal year. The Appropriations Clause requires that at the time of enactment of the annual Appropriations Act, the Governor certify that there are sufficient resources available to support the line item appropriations in the Appropriations Act.

Budget Requests and Preliminary Projections

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

Budget Director Review

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

Governor's Budget Message

The Governor's budget message (the "Governor's Budget Message") is presented by the Governor during an appearance before a joint session of the State Legislature which, by law, is convened on a date on or before the fourth Tuesday in February in each year, except if such date is changed as provided by law, which generally occurs during the first year when a new governor is elected. The Governor's Budget Message for Fiscal Year 2024 was delivered on February 28, 2023 (the "Governor's Fiscal Year 2024 Budget Message"). The Governor's Budget Message must include the proposed complete financial program of the State government for the next ensuing fiscal year and must set forth in detail each source of anticipated revenue and the purposes of recommended expenditures for each spending agency (*N.J.S.A. 52:27B-20*).

Legislative Review

The financial program included in the Governor's Budget Message is then subject to a process of legislative committee review. As part of such review, testimony is given by a number of parties. The Office of Legislative Services, which is an agency of the State Legislature, generally provides its own estimates of anticipated revenues which may be higher or lower than those included in the Governor's Budget Message, and the State Treasurer generally provides an updated statement of anticipated revenues in May of each year which may increase or decrease

the amounts included in the Governor’s Budget Message. In addition, various parties may release their own estimates of anticipated revenues and recommended expenditures to the media. After completion of the legislative committee review process, the budget, in the form of an appropriations bill, must be approved by the Senate and Assembly and must be submitted to the Governor for review. The Appropriations Act includes the General Fund, and the Casino Control, Casino Revenue, Gubernatorial Elections, and Property Tax Relief Funds. In addition to anticipated revenues, the Appropriations Act also provides for the appropriation of non-budgeted revenue, including primarily federal funds and other dedicated funds. These “non-budgeted” revenues are excluded from all tables except for the table entitled “EXPENDITURES.”

Governor’s Line-Item Veto Power

Upon enactment by the Legislature of the Appropriations Act, 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.

Fiscal Controls

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

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. Pursuant to various statutes, the Governor may order the Budget Director to set aside a reserve out of each appropriation, and if sufficient revenues are not available by the end of the fiscal year to fund such reserve, the amount reserved lapses back into the General Fund. In addition, the Governor is authorized to prohibit and enjoin and place conditions upon the expenditure of monies in the case of extravagance, waste or mismanagement.

Furthermore, 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 and all prior appropriations for such fiscal year.

State Budget Shutdown

If the Appropriations Act is not enacted prior to the first day of the next fiscal year, under the Appropriations Clause, no moneys can be withdrawn from the State treasury. Accordingly, all non-essential operations of State government must be shut down until such time as the Appropriations Act is passed and approved by the Governor. If a shutdown occurs in a future fiscal year, no moneys, other than general obligation bond debt service and available amounts already held under bond financing documents will be available to make payment on obligations paid from State revenue subject to annual appropriation. See generally “STATE FINANCES – Budget and Appropriation Process” and “LONG-TERM OBLIGATIONS – State Appropriation Obligations”.

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 2022 ACFR, including the opinion of the State Auditor, has been separately filed with the

MSRB, is incorporated by specific reference herein and is deemed a part of this Appendix I. The accounting and reporting policies of the State conform in all material respects to GAAP as applicable to governments.

Balance Sheets

The comparative balance sheets for the General Fund, the Casino Control Fund, the Casino Revenue Fund, the Gubernatorial Elections Fund and the Property Tax Relief Fund as of June 30, 2022 and 2021 are set forth below.

**GENERAL FUND⁽¹⁾
COMPARATIVE BALANCE SHEETS
(In Millions)
(Audited)**

	As of June 30,	
	2022	2021
ASSETS		
Cash and cash equivalents.....	\$ 174.1	\$ 70.4
Investments.....	23,943.7	19,974.4
Receivables, net of allowances for uncollectibles.....	-	-
Federal government.....	862.9	1,364.6
Departmental accounts.....	2,870.6	2,785.5
Loans.....	133.6	150.8
Other.....	526.3	493.5
Due from other funds.....	1,351.5	770.6
Other.....	35.8	61.4
Total Assets.....	\$29,898.5	\$25,671.2
LIABILITIES AND FUND BALANCES		
Accounts payable and accruals.....	\$ 2,388.8	\$ 1,813.5
Unearned revenue.....	6,084.7	7,061.6
Due to other funds.....	9,213.4	6,438.8
Refunds payable.....	272.5	368.4
Other.....	276.2	258.9
Total Liabilities.....	18,235.6	15,941.2
Deferred Inflows of Resources.....	638.5	610.8
Total Liabilities and Deferred Inflows of Resources.....	\$18,874.1	\$16,552.0
Fund Balances		
Restricted.....	1,195.8	1,152.5
Committed.....	4,571.8	3,627.2
Unassigned.....	5,256.8	4,339.5
Total Fund Balances.....	11,024.4	9,119.2
Total Liabilities and Deferred Inflows of Resources and Fund Balances.....	\$29,898.5	\$25,671.2

⁽¹⁾ The General Fund is used to account for all State revenues not otherwise restricted by statute. The largest part of the total financial operations of the State is accounted for in the General Fund. Most revenues received from taxes, federal sources, and certain miscellaneous revenue items are recorded in the General Fund. The Appropriations Act enacted by the State Legislature provides the basic framework for the operation of the General Fund.

**OTHER BUDGETED FUNDS
COMPARATIVE BALANCE SHEETS
AS OF JUNE 30
(Audited)
(In Millions)**

	Casino Control Fund⁽¹⁾		Casino Revenue Fund⁽²⁾		Gubernatorial Elections Fund⁽³⁾		Property Tax Relief Fund⁽⁴⁾	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
ASSETS								
Receivables, net of allowances for uncollectibles								
Department accounts	\$10.2	\$3.1	\$44.9	\$37.6	\$ -	\$ -	\$ 879.9	\$ 835.2
Due from other funds	-	3.3	0.6	0.8	0.2	0.3	3,055.5	2,404.3
Total Assets	<u>\$10.2</u>	<u>\$6.4</u>	<u>\$45.5</u>	<u>\$38.4</u>	<u>\$0.2</u>	<u>\$0.3</u>	<u>\$3,935.4</u>	<u>\$3,239.5</u>
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable and accruals	\$ 6.6	\$6.4	\$10.4	\$14.4	\$ -	\$ -	\$ 138.1	\$ 149.2
Due to other funds	3.6	-	22.4	11.6	0.2	0.3	172.0	118.9
Refunds payable	-	-	-	-	-	-	279.9	330.3
Total Liabilities	<u>\$10.2</u>	<u>\$6.4</u>	<u>\$32.8</u>	<u>\$26.0</u>	<u>\$0.2</u>	<u>\$0.3</u>	<u>\$590.0</u>	<u>\$598.4</u>
Fund Balances								
Restricted	-	-	-	-	-	-	3,345.4	2,641.1
Committed	-	-	12.7	12.4	-	-	-	-
Total Fund Balances	<u>-</u>	<u>-</u>	<u>12.7</u>	<u>12.4</u>	<u>-</u>	<u>-</u>	<u>3,345.4</u>	<u>2,641.1</u>
Total Liabilities and Fund Balances	<u>\$10.2</u>	<u>\$6.4</u>	<u>\$45.5</u>	<u>\$38.4</u>	<u>\$0.2</u>	<u>\$0.3</u>	<u>\$3,935.4</u>	<u>\$3,239.5</u>

- (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. 5:12-143*, 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. 5:12-145*, 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:9-25.1*, 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 Property Tax Relief 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.

Changes in Fund Balances

The following table sets forth a Summary of Revenues, Appropriations and Undesignated Fund Balances for Fiscal Years 2020 through 2024, 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 2020 through 2022 are actual and final. Amounts shown for Fiscal Year 2023 in the following tables and charts are based upon revised estimates for revenues and appropriations contained in the Governor’s Fiscal Year 2024 Budget Message which includes enacted and anticipated supplemental appropriations and expected lapses for Fiscal Year 2023. Amounts shown for Fiscal Year 2024 are estimates as contained in the Governor’s Fiscal Year 2024 Budget Message. The ending undesignated fund balance for Fiscal Years 2023 and 2024 may be revised as a result of changes in spending and/or anticipated revenues.

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

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

	2024	2023	2022	2021	2020
	Estimated	Estimated	Actual	Actual⁽²⁾	Actual
July 1st Beginning Balances					
General Fund	\$ 7,133.7	\$ 5,256.8	\$ 1,892.6	\$ 2,050.6	\$ 1,287.8
Surplus Revenue Fund	1,603.3	-	2,446.9	6.7	420.6
Property Tax Relief Fund	789.3	3,062.4	2,544.9	1.8	3.0
Gubernatorial Elections Fund	0.7	-	-	1.1	0.8
Casino Control Fund	-	-	-	-	-
Casino Revenue Fund	-	-	-	-	-
Total Beginning Balances.....	9,527.0	8,319.2	6,884.4	2,060.2	1,712.2
Anticipated Revenue					
General Fund	31,279.5	32,039.8	30,355.7	29,721.3	20,625.6
Property Tax Relief Fund	21,948.1	21,463.7	21,778.9	18,413.8	17,074.5
Gubernatorial Elections Fund	0.7	0.7	0.2	0.3	0.3
Casino Control Fund	73.5	67.0	60.2	54.0	50.3
Casino Revenue Fund	526.7	483.6	458.0	363.5	262.5
Total Revenues	53,828.5	54,054.8	52,653.0	48,552.9	38,013.2
Total Resources	\$63,355.5	\$62,374.0	\$59,537.4	\$50,613.1	\$39,725.4
Other Adjustments					
General Fund					
Balances lapsed ⁽³⁾	-	1,421.1	1,299.7	1,532.2	831.3
From (To) Reserved Fund Balance	(254.4)	104.5	26.8	(119.8)	19.2
From (To) Surplus Revenue Fund	-	(1,603.3)	2,446.9	(2,440.2)	413.9
From (To) Property Tax Relief Fund	-	-	(27.8)	(77.3)	(180.9)
Budget vs GAAP Adjustment	-	-	-	-	-
From (To) Casino Revenue Fund	-	19.2	-	-	-
From (To) Gubernatorial Elections Fund	-	-	-	(9.6)	-
From (To) Casino Control Fund	-	-	-	-	-
Surplus Revenue Fund					
From (To) General Fund	-	1,603.3	(2,446.9)	2,440.2	(413.9)
Property Tax Relief Fund					
Balances lapsed ⁽³⁾	-	126.3	227.5	108.3	40.8
From (To) General Fund	-	-	8.4	77.3	180.9
Gubernatorial Elections Fund					
From (To) General Fund	-	-	18.9	9.6	-
Balances lapsed ⁽³⁾	-	-	1.9	-	-
Casino Control Fund					
From (To) General Fund	-	-	-	-	-
Balances lapsed ⁽³⁾	-	1.1	2.5	7.5	5.6
Budget vs GAAP Adjustment	-	-	(0.3)	(0.6)	(0.2)
Casino Revenue Fund					
From (To) General Fund	-	(19.2)	-	-	-
Balances lapsed ⁽³⁾	-	0.7	6.2	3.4	0.3
Budget vs GAAP Adjustment	-	-	-	-	-
Total Other Adjustments.....	(254.4)	1,653.7	1,564.3	1,531.0	897.0
Total Available	\$63,101.1	\$64,027.7	\$61,101.7	\$52,144.1	\$40,622.4
Appropriations					
General Fund	29,747.3	30,104.4	30,737.1	28,764.6	20,842.4
Property Tax Relief Fund	22,737.4	23,863.1	21,497.3	16,056.3	17,297.4
Gubernatorial Elections Fund	-	-	21.5	11.0	-
Casino Control Fund	73.5	68.1	62.4	60.9	55.7
Casino Revenue Fund	526.7	465.1	464.2	366.9	262.8
Total Appropriations⁽⁴⁾	\$53,084.9	\$54,500.7	\$52,782.5	\$45,259.7	\$38,458.3
June 30th Ending Balances					
General Fund	8,411.5	7,133.7	5,256.8	1,892.6	2,154.5
Surplus Revenue Fund	1,603.3	1,603.3	-	2,446.9	6.7
Property Tax Relief Fund	-	789.3	3,062.4	2,544.9	1.8
Gubernatorial Elections Fund	1.4	0.7	-	-	1.1
Casino Control Fund	-	-	-	-	-
Casino Revenue Fund	-	-	-	-	-
Total Ending Balances⁽⁵⁾⁽⁶⁾	\$10,016.2	\$ 9,527.0	\$ 8,319.2	\$ 6,884.4	\$ 2,164.1

(footnotes appear on next page)

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- (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) The General Fund opening undesignated fund balance for Fiscal Year 2021 was restated downward by \$103.9 million due to a reduction of receivables previously overstated.
 - (3) Upon the end of the Fiscal Year, any unexpended or unencumbered balance in an appropriation reverts (lapses) to the June 30th ending undesignated fund balance, unless otherwise provided for in the Appropriations Act.
 - (4) Fiscal Year 2023 appropriations reflect a \$2.35 billion deposit to the Debt Defeasance and Prevention Fund, causing the level of appropriations to appear to have been reduced in Fiscal Year 2024. This reduction reflects the removal of the deposit.
 - (5) The ending undesignated fund balance for Fiscal Year 2022 and the opening undesignated fund balance for Fiscal Year 2023 are actual and final. The ending undesignated fund balance for Fiscal Years 2023 and 2024 may be revised as a result of changes in spending and/or anticipated revenues.
 - (6) Revenues for Fiscal Year 2021 reflect \$4.288 billion in emergency general obligation borrowing, and appropriations include a \$3.7 billion deposit into the Debt Defeasance and Prevention Fund. Due to this, part of the growth in the ending undesignated fund balance for Fiscal Year 2021 can be attributed to almost \$600 million of this net additional, non-recurring resource.

New Jersey Demographic Information

New Jersey is the most densely populated state in the Nation, with an average density of 1,259 persons per square mile as of 2022. The State is a part of a megalopolis that extends from Washington D.C. in the south to Boston, Massachusetts in the north and includes about one-sixth of the Nation’s population, making it an attractive location for businesses due to its central location and ability to access both regional and world markets.

The following industries are the center of the State’s diverse economy: technology, transportation and logistics, health care, financial services, biopharmaceuticals, and advanced manufacturing. There is also a strong commercial agriculture sector in the rural areas. The Jersey Shore, part of the Atlantic Seaboard, is a focus of the State’s tourism sector and includes casino gambling in Atlantic City. The State attracted 110.8 million visitors in 2018 and 116.2 million visitors in 2019. The number of visitors dropped to 86.4 million in 2020 as travel and tourism were disrupted by pandemic-related restrictions. The number of visitors rebounded to 96.6 million in 2021. Last year, the private forecaster Tourism Economics predicted that the number of visitors would be 108.0 million in 2022 and 116.6 million in 2023. The latter number is a return to pre-pandemic levels.

There are approximately 9.3 million people residing in New Jersey in 2022, according to the latest population estimate from the U.S. Census Bureau. New Jersey’s population has grown an average of 0.4 percent per year from 2010 to 2022. This is above the average annual growth rate of 0.1 percent for New York and 0.2 percent for Pennsylvania. It is below the national growth rate of 0.6 percent. Approximately 21.8 percent of New Jersey’s population is under the age of 18, which is slightly lower than the national average of 22.2 percent. In addition, 16.9 percent of the State’s population is 65 years or older, which is similar to the national average.

New Jersey’s population is highly educated. Based on the 5-year American Community Survey for 2017–2021, 41.5 percent of New Jersey residents 25 years of age or older have a bachelor’s degree or higher. This is the fourth highest rate in the Nation and above the national average of 33.7 percent. New Jersey is also a diverse state. At 22.9 percent, New Jersey has the second highest share of foreign-born residents, behind only California, and above the national average of 13.6 percent. New Jersey has the fourth highest percentage of residents that speak a language other than English at home at 31.9 percent. The State ranks behind only California, Texas, and New Mexico and is above the national percentage of 21.7 percent.

According to New Jersey income tax return data, the number of high-income taxpayers has been growing faster than the total number of taxpayers. From calendar years 2007 to 2020, the total number of taxpayers increased by 9.8 percent. During the same period, the number of taxpayers whose total income was between \$500,000 and \$1 million increased by 84.8 percent, and the number of taxpayers whose total income was greater than \$1 million increased by 45.0 percent.

For more information, see the 2023 ACFR-Statistical Section, which has been separately filed with the MSRB, and is incorporated by specific reference herein and is deemed a part of this Appendix I.

New Jersey Current Economic Outlook

In 2022, New Jersey's economy continued to recover from the recession caused by the COVID-19 pandemic. The State's Gross Domestic Product ("GDP") – a broad measure of economic output – showed moderate growth and employment levels continued to improve, surpassing pre-pandemic levels. Price inflation peaked during the summer, before easing somewhat by the end of 2022. Higher interest rates, intended to tame inflation, began to slow economic activity in some sectors, most notably the housing market. In 2023, the near-term economic outlook for the State and Nation is for continued slowing with ongoing uncertainty related to the impact of inflation and interest rates.

Overall, the State's economy experienced moderate growth over the course of 2022. Real GDP growth slowed from its rapid pace in 2021 to a seasonally adjusted annual rate of 2.6 percent in 2022, faster than Pennsylvania's (2.1 percent) but slower than New York's (3.2 percent) growth rates. New Jersey's real GDP growth of 2.6 percent for 2022 ranked thirteenth out of the fifty states and outpaced growth for the Nation as a whole (2.1 percent).

New Jersey's labor market saw solid gains in 2022. Following a record 265,600 jobs gained in 2021, employment grew in ten out of twelve months, gaining 129,700 jobs through December 2022. This represented a sustained bounce-back from 2020, when employment fell by 303,600 net jobs, including an unprecedented initial decline of 730,200 jobs at the start of the pandemic in March and April 2020. Payroll employment grew by an average of 12,700 jobs per month from January 2022 to September 2022, then decelerated to an average of 5,000 jobs per month from October to December 2022. By December 2022, New Jersey had gained back 109.3 percent of the jobs lost since the spring of 2020, a greater share than that of New York (91.0 percent), Pennsylvania (98.5 percent), and Connecticut (91.6 percent).

The State's unemployment rate, which soared to 15.3 percent in May 2020, improved to a pre-pandemic level of 3.3 percent in December 2022, 2.1 percentage points lower than December 2021 (5.4 percent). This level was lower than New York (4.1 percent), Pennsylvania (4.3 percent), and Connecticut (4.0 percent). New Jersey's December 2022 labor force participation rate of 64.1 percent was 0.4 percentage points lower than the pre-pandemic level of 64.5 percent, but 1.3 percentage point higher than in December 2021. The State's December 2022 rate was 3.7 percentage points higher than that of New York and 2.4 percentage points higher than that of Pennsylvania.

Workers in low-wage sectors felt the brunt of the economic impact of the COVID-19 pandemic. The leisure and hospitality sector (hotels, restaurants, bars, arts and entertainment venues); trade, transportation and utilities sector (retail trade); and other services sectors accounted for 57.0 percent (415,600) of job losses in March and April 2020. As of December 2022, the leisure and hospitality sector had recovered 93.0 percent of total jobs lost, while the other services sector had regained 94.1 percent and trade, transportation and utilities sector regained 122.7 percent. Moreover, professional and business services, a relatively high-earning sector, recovered 143.0 percent of the jobs lost during March and April 2020, surpassing pre-pandemic employment levels by 36,000 jobs. Financial activities, another relatively high-earning sector, regained 152.0 percent of its jobs, surpassing pre-pandemic employment by 6,600 jobs as of December 2022.

The housing market in 2022 slowed substantially from the quick pace of the prior two years amidst rapidly rising mortgage interest rates and elevated home prices. The average U.S. 30-Year fixed rate mortgage in December 2022 hovered over 6.0 percent, double its 3.0 percent level in December 2021. According to New Jersey Realtors data, existing-home sales growth started to fall off near the end of 2021 and total closed sales fell 17.8 percent in 2022 from 2021, matching levels last seen in 2015. The number of single-family homes sold, which represents over two-thirds of existing-home sales in New Jersey, was 18.6 percent below 2021, while the number of townhomes and condos sold was 17.8 percent lower. Transaction prices continued to rise substantially, with the average price of a single-family home reaching nearly \$593,000 in 2022, a 9.3 increase over 2021.

New Jersey wages and salaries increased 9.3 percent in 2022, while personal income, which was hindered by falling transfer receipts and weaker growth in other components, rose 2.1 percent overall. Personal income growth in New Jersey (2.1 percent) outpaced that of New York (0.8 percent) and Pennsylvania (1.4 percent) in 2022. New Jersey's wages and salaries growth of 9.3 percent also outpaced that of New York (7.4 percent) and Pennsylvania (8.5 percent).

National personal saving as a percentage of disposable personal income has fluctuated sharply in recent years. From a pre-pandemic level of over 8.0 percent, savings rose to a high of 26.4 percent spurred by federal economic impact payments and limited spending options. The savings rate subsequently fell to under 4.0 percent in the final three quarters of 2022 as households adjusted to high price inflation.

Price inflation is expected to continue to impact the economy. After reaching a high of 9.1 percent in June 2022, year-over-year growth in the U.S. Consumer Price Index (CPI) for all items eased to 6.5 percent in December 2022. Core CPI, which excludes food and energy items, was up 5.7 percent. Inflation in the metropolitan area containing much of northern and central New Jersey has been more muted, with regional year-over-year CPI growth at 6.3 percent in December 2022 after reaching a high of 6.7 percent in June 2022. Regional core CPI was up 5.4 percent in December 2022. It is generally anticipated that the CPI will remain above 3.0 percent throughout 2023.

The economic outlook has softened recently for both the State and the Nation, as rising interest rates and persistently high inflation erode purchasing power and slow the pace of the economy. Wage gains have struggled to keep up with the pace of inflation, which has dampened consumer spending. The Federal Open Market Committee (“FOMC”) lifted the benchmark federal funds rate to between 4.75 percent and 5.0 percent in March 2023 after lifting the rate 25 basis points in February, 50 basis points in December 2022 and 75 basis points in November, September, July, and June 2022. As of the March 2023 projections, FOMC members expect one more 25 basis point increase in calendar year 2023 to combat persistently elevated inflation and most members expect the target federal funds rate to fall in the 5.0 percent and 5.25 percent range in calendar year 2023. As of March 2023, members of the FOMC project that real GDP in the Nation will grow 0.4 percent in 2023, while economists surveyed by the Wall Street Journal in January 2023 are forecasting real GDP growth of 0.2 percent for the year.

Risk of Climate Events

The State of New Jersey’s location on the eastern seaboard of the United States exposes it to a variety of climate risks, such as severe storms and hurricanes, which can damage the State’s infrastructure. In addition, much of the State’s coastal and riverine areas may be vulnerable to sea level rise or flooding from increasing and extreme precipitation and other impacts of climate change. These climate-related phenomena may damage significant portions of the State’s assets and may require the State to construct additional infrastructure. Further, a changing climate may negatively impact the economy of the State. However, the State cannot predict the impact that these climate events may have on its financial condition.

The State’s Department of Environmental Protection (“NJDEP”) is responsible for developing studies and strategies to reduce and respond to the effects of climate change. In 2020, the NJDEP released a scientific study regarding climate change and its impact upon the State, including New Jersey specific sea-level rise information. In 2021, the NJDEP released new data regarding the risk of extreme precipitation throughout the state. As a matter of practice, the NJDEP will incorporate this and other appropriate new data into the State’s climate science report. The NJDEP also has developed short- and long-term strategies to make the State more resilient to the impacts of climate change, including through regulatory requirements aimed at better protecting public and private assets from risks associated with extreme weather, sea-level rise, and flooding. The NJDEP has also established a resilience planning program to provide technical and planning assistance to local governments. In 2023, the Resilient NJ program will provide support to more than 40 local governments to identify and enact appropriate measures to address climate impacts in coordination with State and federal agencies. The State does not develop any of its climate change reports or strategies for purposes of investors making investment decisions and none of the NJDEP reports or strategies are incorporated by reference into this Appendix I.

Cybersecurity

The New Jersey Office of Information Technology (“NJOIT”) serves as the State’s centralized infrastructure technology provider. NJOIT has enhanced existing technologies and put in place multiple additional measures to mitigate cyber risks over the past 24 months. These measures include working in conjunction with the New Jersey Office of Homeland Security and Preparedness’ cybersecurity arm, the New Jersey Cybersecurity & Communications Integration Cell (“NJCCIC”). This separation of accountability for cyber protection has served to substantially increase effectiveness due to focused skillsets, budgets, and technology platforms. These measures are recognized as industry standard modern cyber protection mechanisms and serve to reduce the risk of successful cyber-attacks

upon the State's information technology assets. However, despite these measures, it is recognized in the cybersecurity industry that no amount of preventative countermeasures and security features successfully prevent 100% of all cyber attacks. To further manage risk, the State maintains cyber liability insurance coverage.

Revenues

Fiscal Year 2023 Revenues Now Projected to Outperform Fiscal Year 2022

Recent State revenue growth has been strong. At the time of the enactment of the Fiscal Year 2023 Appropriations Act, Fiscal Year 2022 revenues were revised to \$51.9 billion, an increase of \$9.6 billion above the level certified by the Governor in June 2021. Subsequently, Fiscal Year 2022 revenues continued to outperform forecasts, totaling roughly \$52.7 billion, an increase of \$800.0 million over the June 2022 revision. Some retrenchment was initially anticipated for Fiscal Year 2023 revenues relative to Fiscal Year 2022, as the Governor's revenue certification projected an overall decline and a return toward historic trends. However, rather than declining, revised Fiscal Year 2023 revenues contained in the Governor's Fiscal Year 2024 Budget Message are now projected to reach \$54.1 billion, an increase of about \$1.4 billion over Fiscal Year 2022.

The revised Fiscal Year 2023 Gross Income Tax ("GIT") revenue estimate of \$20.4 billion anticipates a decline of \$326.0 million, or 1.6 percent below Fiscal Year 2022, but the overall forecast is \$426.5 million above the Governor's revenue certification for Fiscal Year 2023. In particular, final payments from extension filers came in stronger than expected during the fall. Withholding collections on employee wages have slowed recently, but are anticipated to continue growing modestly. Higher-income taxpayers are expected to have lower estimated and final payment liabilities, as non-wage income sources, specifically capital gains income, fall back from elevated levels witnessed during the spring of 2022. The forecast accounts for two new tax policy changes: tax benefits for certain college costs, loan payments and savings enacted last year (*L. 2021, c. 128*), estimated to save taxpayers approximately \$87.0 million; and a new child care tax credit for families with young children (*L. 2022, c. 24*), estimated to save taxpayers about \$120.0 million.

The revised Fiscal Year 2023 Corporation Business Tax ("CBT") revenue forecast of \$5.8 billion is now \$64.2 million above Fiscal Year 2022, and \$544.5 million more than the amount anticipated in the Fiscal Year 2023 Appropriations Act. Fiscal Year 2023 CBT revenue collections were largely expected to retract due to dwindling profit margins as the national economic expansion slowed in the face of interest rate hikes. Instead, margins continued to widen in 2022, driven by accelerating inflation even as some supply-side cost pressures began to ease. As a result, CBT revenues were very strong in the first quarter of Fiscal Year 2023 and are projected to grow slightly during the remaining months of the fiscal year.

Sales and Use Tax ("SUT") revenues are expected to rise to \$13.1 billion in Fiscal Year 2023, up \$559.0 million, or 4.5 percent above the prior year and \$578.9 million above the amount anticipated in the Fiscal Year 2023 Appropriations Act. Revenues were relatively strong through the first half of Fiscal Year 2023, mostly as a result of higher than anticipated price and wage inflation. The remainder of Fiscal Year 2023 is expected to contend with demand reduction as real consumer spending falls, offset by higher nominal prices compared to the same period last fiscal year. The State's Affordable New Jersey Communities for Homeowners and Renters ("ANCHOR") program may provide a boost to consumers in spring 2023, as benefits of up to \$1,500 per homeowner and \$450 per tenant are dispersed to eligible State taxpayers.

Revised Pass-Through Business Alternative Income Tax ("PTBAIT") collections are projected to be about \$4.0 billion, up \$562.0 million or 16.5 percent from the total anticipated in the Fiscal Year 2023 Appropriations Act. Collections were initially forecasted to decline, as December 2021 saw a significant payment surge from first-time PTBAIT filers. Taxpayers were expected to distribute those large December payments throughout their quarterly estimated payments for Tax Year 2022, which to a great degree occurred. However, in its brief history, changes have been made to capture additional sources of income, alter tax rates, and revise tax credit structures, which in turn have contributed to PTBAIT revenue coming in greater than forecasted. Much of the refund and payment activity that has carried across fiscal years has stabilized, but expectations are that some filers will continue to request extensions, and final payments and credit claims will affect collections in the fall of each fiscal year.

Among other notable tax revenues, the Transfer Inheritance Tax is no longer expected to decline as sharply, with revenues expected to total \$551.0 million for Fiscal Year 2023 compared to \$384.5 million anticipated at the time of the enactment of the Fiscal Year 2023 Appropriations Act. The Realty Transfer Fee is expected to decline further with revenue coming in \$117.0 million below Fiscal Year 2022.

Fiscal Year 2024 Revenues Expected to Remain Relatively Stable

The Governor's Fiscal Year 2024 Budget Message reflects the beginning of the State's transition towards revenue stability. Fiscal Year 2024 revenues are forecasted at \$53.8 billion, down \$226.0 million, or 0.4 percent below revised Fiscal Year 2023 estimates. Most revenues are expected to continue slow growth next fiscal year. However, revenue growth will be offset by the phase out of the CBT surtax and a reduction in the required payment by Horizon Blue Cross Blue Shield of New Jersey as a result of its approved reorganization to a mutual holding company. For more information concerning a challenge to the approved reorganization, see "LITIGATION - *In the Matter of Application by Horizon Healthcare Services, Inc. to Form a Mutual Holding Company pursuant to N.J.S.A. 17:48E-46.1.*"

The Fiscal Year 2024 GIT projection of \$20.9 billion is an increase of \$472.6 million, or 2.3 percent above Fiscal Year 2023. Withholding revenue growth is expected to continue to slow as pressures driving up wage growth ease alongside inflation. Capital market performance in 2023 remains a concern as the markets grapple with an ever-changing economic picture and tightening monetary policy. Non-wage income sources are expected to remain essentially flat in Fiscal Year 2024 as most economic forecasts debate the prospects of weak economic growth or a very mild, short recession. The forecast also anticipates a tax cut related to the expansion of the State's Child Tax Credit, which is estimated at \$123.2 million.

Fiscal Year 2024 SUT revenue collections are projected at \$13.2 billion, an increase of \$143.9 million or 1.1 percent over Fiscal Year 2023, as slowing consumer spending and inflation are expected to soften collection growth. Substantial federal governmental assistance, including stimulus checks and student loan relief that boosted discretionary income and contributed to the sharp rise in SUT growth in recent years, has largely dwindled and will wane in Fiscal Year 2024. Consumers are expected to continue their return toward pre-pandemic levels of spending on nontaxable services rather than taxable durable goods, while grappling with record levels of credit card debt and diminished savings.

Fiscal Year 2024 CBT revenue collections are projected to fall from Fiscal Year 2023 levels, declining to \$5.3 billion, a decrease of 7.3 percent, primarily due to the phase out of the CBT surtax. Concerns about the slowing economy have dampened expectations for 2023, which will impact Fiscal Year 2024 CBT revenue collections, and most economic forecasts expect corporate profits to stagnate. The CBT surtax is set to sunset on December 31, 2023, and thus will first affect and reduce CBT revenues in Fiscal Year 2024 by \$322.5 million and by roughly \$1.0 billion in Fiscal Year 2025.

The following table sets forth actual and estimated revenues for fiscal years ended June 30, 2020 through 2024 for the General Fund, the Property Tax Relief Fund, the Gubernatorial Elections Fund, the Casino Control Fund and the Casino Revenue Fund. The amounts for Fiscal Years 2020 through 2022 are actual and final. The Fiscal Years 2023 and 2024 estimates are as presented in the Governor's Fiscal Year 2024 Budget Message. See "FINANCIAL RESULTS AND ESTIMATES – New Jersey Current Economic Outlook" above and "APPENDIX I-A – SUMMARY OF CERTAIN STATE TAXES" below.

REVENUES
(In Millions)

	2024	2023	2022	2021	2020
	Estimated	Estimated	Actual	Actual	Actual
General Fund:					
Sales and Use Tax	\$13,348.5	\$13,192.0	\$12,630.0	\$11,366.6	\$ 9,786.0
Sales and Use Tax (Energy Tax Receipts)	788.5	788.5	788.5	788.5	788.5
Less: Property Tax Dedication	(1,042.0)	(1,030.2)	(1,013.0)	(917.3)	(798.1)
Net Sales and Use Tax	13,095.0	12,950.3	12,405.5	11,237.8	9,776.4
Corporation Business Tax	5,359.1	5,780.0	5,718.0	4,894.9	3,811.6
Business Alternative Income Tax.....	4,051.0	3,962.0	3,980.0	1,968.4	-
NJ COVID-19 State Emergency Fund	-	-	-	4,288.7	-
Transfer Inheritance Tax	536.4	551.0	601.7	485.3	358.1
Insurance Premium Tax	664.4	598.7	703.7	464.0	622.3
Fringe Benefit Recoveries.....	1,196.8	1,143.1	999.7	806.9	708.1
Motor Fuels Tax.....	458.9	458.9	461.8	434.4	440.4
Motor Vehicle Fees.....	396.6	378.6	393.4	477.2	420.3
Medicaid Uncompensated Care.....	344.7	492.7	477.6	524.2	518.5
Realty Transfer Tax	513.0	557.6	674.6	526.2	364.7
Petroleum Products Gross Receipts	1,401.0	1,412.5	1,553.9	1,624.2	1,338.4
Petroleum Products Gross Receipts-Capital Reserves.....	(498.1)	(550.8)	(756.3)	(844.3)	(578.5)
Corporation Business Tax-Banks and Financials	77.2	71.8	81.9	107.8	283.0
Cigarette Tax	36.8	59.3	38.0	71.0	80.1
Alcoholic Beverage Excise Tax	146.2	146.2	142.6	140.1	121.8
Other	3,500.5	4,027.9	2,879.6	2,514.5	2,360.4
Total General Fund ⁽¹⁾	31,279.5	32,039.8	30,355.7	29,721.3	20,625.6
Property Tax Relief Fund:					
Gross Income Tax	20,884.1	20,411.5	20,737.5	17,469.9	16,253.7
Plus: Property Tax Dedication.....	1,064.0	1,052.2	1,041.4	943.9	820.8
Gross Property Tax Relief Fund	21,948.1	21,463.7	21,778.9	18,413.8	17,074.5
Gubernatorial Elections Fund-Taxpayer Designations	0.7	0.7	0.2	0.3	0.3
Casino Control Fund-License Fees, Interest.....	73.5	67.0	60.2	54.0	50.3
Casino Revenue Fund-8% Gross Revenue Tax, Other Taxes and Fees, Interest.....	526.7	483.6	458.0	363.5	262.5
Total.....	\$53,828.5	\$54,054.8	\$52,653.0	\$48,552.9	\$38,013.2

⁽¹⁾ Excludes Non-Budgeted Revenues which include primarily Federal Funds. Non-Budgeted Revenues are offset by matching appropriations; therefore, these Non-Budgeted Revenues do not affect the General Fund's undesignated fund balance.

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Revenues — Dollar Growth

The following table sets forth actual and estimated incremental dollar growth in revenues for fiscal years ended June 30, 2020 through 2024 for the General Fund, the Property Tax Relief Fund, the Gubernatorial Elections Fund, the Casino Control Fund and the Casino Revenue Fund. The incremental dollar growth in revenues for Fiscal Years 2020 through 2022 are actual and final. The amounts for Fiscal Years 2023 and 2024 estimates are as presented in the Governor’s Fiscal Year 2024 Budget Message.

REVENUES — DOLLAR GROWTH (In Millions)

	2024 Estimated	2023 Estimated	2022 Actual	2021 Actual	2020 Actual
General Fund:					
Sales and Use Tax	\$ 156.5	\$ 562.0	\$1,263.4	\$ 1,580.6	\$(152.6)
Sales and Use Tax (Energy Tax Receipts).....	—	—	—	—	—
Less: Property Tax Dedication	(11.8)	(17.2)	(95.7)	(119.2)	18.4
Net Sales and Use Tax	144.7	544.8	1,167.7	1,461.4	(134.2)
Corporation Business Taxes	(420.9)	62.0	823.1	1,083.3	(217.1)
Business Alternative Income Tax.....	89.0	(18.0)	2,011.6	1,968.4	—
NJ COVID-19 State Emergency Fund	—	—	(4,288.7)	4,288.7	—
Transfer Inheritance Tax	(14.6)	(50.7)	116.4	127.2	(59.3)
Insurance Premium Tax	65.7	(105.0)	239.7	(158.3)	100.1
Fringe Benefit Recoveries	53.7	143.4	192.8	98.8	(28.8)
Motor Fuels Tax	—	(2.9)	27.4	(6.0)	(59.8)
Motor Vehicle Fees.....	18.0	(14.8)	(83.8)	56.9	(16.6)
Medicaid Uncompensated Care.....	(148.0)	15.1	(46.6)	5.7	144.6
Realty Transfer Tax	(44.6)	(117.0)	148.4	161.5	(9.5)
Petroleum Products Gross Receipts.....	(11.5)	(141.4)	(70.3)	285.8	(127.6)
Petroleum Products Gross Receipts-Capital Reserves.....	52.7	205.5	88.0	(265.8)	294.1
Corporation Business Tax-Banks and Financials	5.4	(10.1)	(25.9)	(175.2)	(9.4)
Cigarette Tax.....	(22.5)	21.3	(33.0)	(9.1)	(18.8)
Alcoholic Beverage Excise Tax	—	3.6	2.5	18.3	9.6
Other	(527.4)	1,148.3	365.1	154.1	(494.0)
Total General Fund ⁽¹⁾	(760.3)	1,684.1	634.4	9,095.7	(626.7)
Property Tax Relief Fund:					
Gross Income Tax	472.6	(326.0)	3,267.6	1,216.2	350.4
Plus: Property Tax Dedication	11.8	10.8	97.5	123.1	(23.7)
Gross Property Tax Relief Fund	484.4	(315.2)	3,365.1	1,339.3	326.7
Gubernatorial Elections Fund-Taxpayer Designations	—	0.5	(0.1)	—	(0.5)
Casino Control Fund-Licenses, Interest	6.5	6.8	6.2	3.7	1.2
Casino Revenue Fund-8% Gross Revenue Tax, Other Taxes and Fees, Interest.....	43.1	25.6	94.5	101.0	(3.7)
Total.....	\$(226.3)	\$1,401.8	\$4,100.1	\$10,539.7	\$(303.0)

⁽¹⁾ Excludes Non-Budgeted Revenues which include primarily Federal Funds. Non-Budgeted Revenues are offset by matching appropriations; therefore, these Non-Budgeted Revenues do not affect the General Fund’s undesignated fund balance.

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Revenues — Percentage Growth

The following table sets forth actual and estimated year over year percentage growth in revenues for the fiscal years ended June 30, 2020 through 2024 for the General Fund, the Property Tax Relief Fund, the Gubernatorial Elections Fund, the Casino Control Fund and the Casino Revenue Fund. These growth percentages are calculated for each individual revenue source and are not intended to sum when reading down the table. Year over year percentage growth in revenues for Fiscal Years 2020 through 2022 are actual and final. The Fiscal Years 2023 and 2024 estimates are as presented in the Governor’s Fiscal Year 2024 Budget Message.

REVENUES — PERCENTAGE GROWTH

	2024	2023	2022	2021	2020
	Estimated	Estimated	Actual	Actual	Actual
General Fund:					
Sales and Use Tax.....	1.2%	4.4%	11.1%	16.2%	(1.5)%
Sales and Use Tax (Energy Tax Receipts).....	-	-	-	-	-
Less: Property Tax Dedication.....	1.1	1.7	10.4	14.9	(2.3)
Net Sales and Use Tax.....	1.1	4.4	10.4	14.9	(1.4)
Corporation Business Taxes.....	(7.3)	1.1	16.8	28.4	(5.4)
Business Alternative Income Tax.....	2.2	(0.5)	102.2	-	-
NJ COVID-19 State Emergency Fund.....	-	-	(100.0)	-	-
Transfer Inheritance Tax.....	(2.6)	(8.4)	24.0	35.5	(14.2)
Insurance Premium Tax.....	11.0	(14.9)	51.7	(25.4)	19.2
Fringe Benefit Recoveries.....	4.7	14.3	23.9	14.0	(3.9)
Motor Fuels Tax.....	-	(0.6)	6.3	(1.4)	(12.0)
Motor Vehicle Fees.....	4.8	(3.8)	(17.6)	13.5	(3.8)
Medicaid Uncompensated Care.....	(30.0)	3.2	(8.9)	1.1	38.7
Realty Transfer Tax.....	(8.0)	(17.3)	28.2	44.3	(2.5)
Petroleum Products Gross Receipts.....	(0.8)	(9.1)	(4.3)	21.4	(8.7)
Petroleum Products Gross Receipts-Capital Reserves.....	(9.6)	(27.2)	(10.4)	45.9	(33.7)
Corporation Business Tax-Banks and Financials.....	7.5	(12.3)	(24.0)	(61.9)	(3.2)
Cigarette Tax.....	(37.9)	56.1	(46.5)	(11.4)	(19.0)
Alcoholic Beverage Excise Tax.....	-	2.5	1.8	15.0	8.6
Other.....	(13.1)	39.9	14.5	6.5	(17.3)
Total General Fund ⁽¹⁾	(2.4)	5.5	2.1	44.1	(2.9)
Property Tax Relief Fund:					
Gross Income Tax.....	2.3	(1.6)	18.7	7.5	2.2
Plus: Property Tax Dedication.....	1.1	1.0	10.3	15.0	(2.8)
Gross Property Tax Relief Fund.....	2.3	(1.4)	18.3	7.8	2.0
Gubernatorial Elections Fund-Taxpayer Designations.....	-	250.0	(33.3)	-	(62.5)
Casino Control Fund-Licenses, Interest.....	9.7	11.3	11.5	7.4	2.4
Casino Revenue Fund-8% Gross Revenue Tax, Other Taxes and Fees, Interest.....	8.9	5.6	26.0	38.5	(1.4)
Total.....	(0.4)%	2.7%	8.4%	27.7%	(0.8)%

⁽¹⁾ Excludes Non-Budgeted Revenues which include primarily Federal Funds. Non-Budgeted Revenues are offset by matching appropriations; therefore, these Non-Budgeted Revenues do not affect the General Fund’s undesignated fund balance.

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Revenues — Percent of Total

The following table sets forth actual and estimated revenues as a percent of total revenue for fiscal years ended June 30, 2020 through 2024 for the General Fund, the Property Tax Relief Fund, the Gubernatorial Elections Fund, the Casino Control Fund and the Casino Revenue Fund. Revenues as percent of total for Fiscal Years 2020 through 2022 are actual and final. The Fiscal Years 2023 and 2024 estimates are as presented in the Governor’s Fiscal Year 2024 Budget Message.

REVENUES — PERCENT OF TOTAL

	2024 Estimated	2023 Estimated	2022 Actual	2021 Actual	2020 Actual
General Fund:					
Sales and Use Tax.....	24.8%	24.5%	24.0%	23.4%	25.8%
Sales and Use Tax (Energy Tax Receipts).....	1.4	1.5	1.5	1.6	2.1
Less: Property Tax Dedication.....	(1.9)	(1.9)	(1.9)	(1.9)	(2.1)
Net Sales and Use Tax.....	24.3	24.1	23.5	23.1	25.8
Corporation Business Taxes.....	10.0	10.7	10.9	10.1	10.0
Business Alternative Income Tax.....	7.5	7.3	7.5	4.1	—
NJ COVID-19 State Emergency Fund.....	—	—	—	8.8	—
Transfer Inheritance Tax.....	1.0	1.0	1.1	1.0	0.9
Insurance Premium Tax.....	1.2	1.1	1.3	1.0	1.6
Fringe Benefit Recoveries.....	2.2	2.1	1.9	1.7	1.9
Motor Fuels Tax.....	0.9	0.8	0.9	0.9	1.2
Motor Vehicle Fees.....	0.7	0.7	0.7	1.0	1.1
Medicaid Uncompensated Care.....	0.6	0.9	0.9	1.1	1.4
Realty Transfer Tax.....	1.0	1.0	1.3	1.1	1.0
Petroleum Products Gross Receipts.....	2.6	2.6	3.0	3.3	3.5
Petroleum Products Gross Receipts-Capital Reserves.....	(0.9)	(1.0)	(1.4)	(1.7)	(1.5)
Corporation Banks and Financials.....	0.1	0.1	0.2	0.2	0.7
Cigarette Tax.....	0.1	0.1	0.1	0.1	0.2
Alcoholic Beverage Excise Tax.....	0.3	0.3	0.3	0.3	0.3
Other.....	6.5	7.5	5.5	5.2	6.2
Total General Fund ⁽¹⁾	58.1	59.3	57.7	61.3	54.3
Property Tax Relief Fund:					
Gross Income Tax.....	38.8	37.8	39.4	36.0	42.8
Plus: Property Tax Dedication.....	2.0	1.9	2.0	1.9	2.2
Gross Property Tax Relief Fund.....	40.8%	39.7%	41.4%	37.9%	45.0%
Gubernatorial Elections Fund-Taxpayer Designations.....	—	—	—	—	—
Casino Control Fund-Licenses, Interest.....	0.1	0.1	0.1	0.1	0.1
Casino Revenue Fund-8% Gross Revenue Tax, Other Taxes and Fees, Interest.....	1.0	0.9	0.9	0.7	0.6
Total.....	100.0%	100.0%	100.0%	100.0%	100.0%

⁽¹⁾ Excludes Non-Budgeted Revenues which include primarily Federal Funds. Non-Budgeted Revenues are offset by matching appropriations; therefore, these Non-Budgeted Revenues do not affect the General Fund’s undesignated fund balance.

New Jersey Economic Development Authority Tax Credit Programs

The NJEDA administers a number of statutorily-authorized economic development tax credit programs. The programs that were in effect prior to January 7, 2021 are collectively referred to herein as the “Legacy Programs.” The New Jersey Economic Recovery Act of 2020, L. 2020, c. 156 (the “NJ ERA”), which was enacted on January 7, 2021, and amended by L. 2021, c. 160, established several new programs that will be collectively referred to herein as the “NJ ERA Programs.”

Generally, tax credits are awarded for use in specific tax years. However, for some of the Legacy Programs, the recipient of the tax credits may carry forward the value of the tax credits for up to twenty successive tax periods, depending upon the statutory provisions governing each individual tax credit program. In addition, for some of the Legacy Programs (not including the NJEDA’s Angel Investor Tax Credit program) the recipient may transfer the tax credit for use by a transferee in the tax period for which it was issued. The original recipient may have up to three years after the date of the original issuance to transfer the tax credits to a potential transferee.

The NJEDA provides fiscal year data on the total dollar amount of actual and projected tax credit awards issued in each fiscal year. More specifically, the totals for past and future fiscal year tax credit awards shown in the table below represent the issuance of certified credits for current and past tax years, rather than the application of those credits to tax year liabilities (on current or past year returns) during the current fiscal year. Actual tax credit award amounts are typically less than projected because taxpayers may withdraw their application, projects may be canceled, a tax credit may be reduced based on performance, or certification may be delayed. In most cases, firms that are awarded tax credits under NJEDA tax credit incentive programs must demonstrate compliance on an annual basis with requirements that may include minimum hiring or employment targets, capital investment commitments, or other parameters, and compliance must be certified by the NJEDA before the tax credits for a given tax year are awarded. Once awarded, the taxpayer may apply the tax credits to their tax liability for the relevant tax year or transfer it to another firm if permitted under the applicable tax credit incentive program. Some tax credits are awarded for the most recent tax year, while reporting, processing and certification delays can result in tax credits being awarded for past tax years as well.

The table below compares the NJEDA’s projected award amounts of Legacy Program tax credits to actual award amounts from Fiscal Year 2019 to Fiscal Year 2022, and provides the current projected award amounts for Fiscal Years 2023 and 2024. Actual award amounts ranged from 45.0 percent to 50.0 percent of the projected level from Fiscal Year 2019 to Fiscal Year 2021, then rose to 67.0 percent in Fiscal Year 2022, possibly accounting for some portion of the record level of CBT refund activity that fiscal year. Credit award amounts for Legacy Programs are currently projected at \$1.1 billion for Fiscal Year 2023 and at \$919.8 million for Fiscal Year 2024. While the tax credits primarily impact CBT revenues, certain credits can also be applied to Gross Income Tax liabilities, and the State’s Insurance Premiums Tax also has been impacted in recent years because credits may be sold or transferred to insurance companies on the secondary market.

EDA Legacy Tax Credit Programs
Projected Award Amounts vs Actual Award Amounts
(In Millions)

	<u>Fiscal Year 2019</u>	<u>Fiscal Year 2020</u>	<u>Fiscal Year 2021</u>	<u>Fiscal Year 2022</u>	<u>Fiscal Year 2023</u>	<u>Fiscal Year 2024</u>
Projected Award Amounts*	\$660.7	\$872.1	\$876.8	\$883.7	\$1,105.5**	\$919.8**
Actual Award Amounts	\$308.3	\$396.3	\$437.8	\$592.3	n/a	n/a
Difference	\$352.3	\$475.8	\$439.0	\$278.9	n/a	n/a

* For Fiscal Year 2019 through Fiscal Year 2023, projected award amounts are estimates as of January of the given Fiscal Year. The Fiscal Year 2024 projection is as of January 2023.

** Projection subject to revision.

Newly Authorized Economic Development Tax Incentive Programs

The NJ ERA established eight new tax credit programs. There are seven primary tax credit programs as well as an additional smaller program aimed at supporting the in-State manufacturing of personal protective equipment (“PPE”). The PPE Manufacturing Tax Credit Program is for Tax Years 2020 through 2022 and has an annual cap of \$10.0 million. PPE Manufacturing Tax Credits of \$3.3 million are projected to be issued in Fiscal Year 2024. The seven primary programs expire after seven years and have an overall cap of \$11.5 billion.

The NJ ERA sets annual award limits for each of the seven new primary tax credit programs. However, if any program’s annual limit is not reached, the NJEDA is authorized to add the unused amount to the subsequent year’s program limit. The annual program award caps are for the first six years of the seven-year period. During the seventh year, the NJEDA may award any unused amount that has been carried forward from the first six years of the program. The NJ ERA also permits the NJEDA to exceed program limits in a given year by up to \$200.0 million annually. The table below summarizes the annual tax credit award limits and projected award amounts for the seven new primary programs created by the NJ ERA:

**Summary of NJ ERA Tax Credit Programs
(In Millions)**

	Annual Cap	Total Cap	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024
Historic Property Reinvestment Act	\$ 50	\$ 300	\$ –	\$ –	\$ –
Brownfield Redevelopment Incentive Program Act	50	300	–	–	–
New Jersey Innovation Evergreen Act	60	300	–	60	60
Food Desert Relief Act	40	240	–	–	40
Community Anchored Development Act	200	1,200	–	–	–
New Jersey Aspire (Non-Transformative) + Emerge	1,100	6,600	–	–	17
New Jersey Aspire (Transformative)	–	2,500	–	–	–
Total “New NJ ERA Programs”	\$1,500	\$11,500	\$ –	\$60	\$117

Newly Established Tax Credit Buy-Back Requirements

The NJ ERA newly incorporates tax credit buy-back and surrender provisions. For the NJ ERA Programs, as well as for some of the Legacy Programs, and at the discretion of the Director of the Division of Taxation, the State may buy back awarded but unused tax credits at a maximum price of 75.0 percent of the value of the tax credit. In addition, only with respect to tax credits awarded in the Aspire/Emerge Program, the NJ ERA allows an awardee to “surrender” the unused credit as long as it is at least two years after the award, to the Division of Taxation for a cash payment equal to 90.0 percent of the face value of the tax credit.

Statutory “Poison Pills”

Some statutes contain provisions, commonly referred to as “poison pills,” that may automatically bar the State from collecting certain taxes in the event the Legislature acts, or fails to act, in a specified manner. A poison pill may be triggered, for instance, when the Legislature fails to appropriate a designated amount of money to a particular program. No court has opined on the constitutionality of poison pill provisions. To date, poison pill provisions have had no impact on the annual Appropriations Act.

Appropriations

Appropriations — Fiscal Year 2020 through Fiscal Year 2024

The following table sets forth the composition of annual appropriations in Fiscal Years 2020 through 2024, including supplemental appropriations and deappropriations, 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 revenues be less than the amount anticipated in the Appropriations Act, the Governor may, pursuant to statutory authority, prevent expenditure under any appropriation. The amounts for Fiscal Years 2020 through 2022 are actual and final. The Fiscal Years 2023 and 2024 estimates are as presented in the Governor’s Fiscal Year 2024 Budget Message.

APPROPRIATIONS FOR BUDGETED STATE FUNDS⁽¹⁾
(In Millions)

	For the Fiscal Year Ended June 30,				
	2024 Recommended	2023 Estimated	2022 Actual	2021 Actual	2020 Actual
General Fund					
Legislature	\$ 110.8	\$ 111.8	\$ 107.1	\$ 96.5	\$ 80.9
Chief Executive	13.7	11.7	9.2	7.2	5.9
Department of:					
Agriculture	104.8	202.5	116.4	88.2	79.4
Banking and Insurance	90.3	90.3	89.5	64.0	140.6
Children and Families	1,387.8	1,354.1	1,283.0	1,212.1	1,144.0
Community Affairs	261.7	434.7	377.4	152.3	124.0
Corrections	1,142.6	1,153.7	1,101.1	1,044.7	1,033.6
Education	2,288.5	274.3	249.1	2,743.3	484.0
Environmental Protection	514.0	777.3	695.8	489.4	506.4
Health	1,239.3	1,179.7	1,183.8	1,120.6	985.7
Human Services	8,211.8	7,600.5	6,720.9	6,250.0	5,892.2
Labor and Workforce Development	204.4	205.1	207.6	176.3	169.6
Law and Public Safety	791.8	806.2	682.9	659.6	600.4
Military and Veterans' Affairs	115.5	108.1	100.0	96.4	95.9
State	1,949.2	1,839.8	1,759.7	1,496.0	1,300.3
Transportation	1,638.4	1,636.6	1,585.7	1,839.2	1,732.5
Treasury	1,743.7	1,902.4	1,749.9	1,640.5	1,038.4
Miscellaneous Commissions	1.0	1.0	1.0	0.8	0.7
Interdepartmental Accounts - Employee					
Benefits and Miscellaneous	7,060.7	9,539.3	11,885.3	8,777.0	4,638.6
Judicial Branch	877.3	875.3	831.7	810.5	789.3
Total, General Fund	<u>29,747.3</u>	<u>30,104.4</u>	<u>30,737.1</u>	<u>28,764.6</u>	<u>20,842.4</u>
Property Tax Relief Fund					
Department of:					
Agriculture	41.2	20.8	18.2	13.2	5.6
Community Affairs	890.3	997.5	856.5	824.9	742.4
Corrections	33.4	33.4	25.6	23.5	22.2
Education	17,519.8	18,485.6	18,009.2	12,893.3	14,458.0
Environmental Protection	14.3	14.3	7.8	6.5	4.0
Human Services	258.2	245.2	247.2	228.5	197.7
Law and Public Safety	9.5	5.5	5.0	4.6	3.0
State	4.7	6.8	5.0	3.7	3.7
Transportation	308.2	319.3	301.9	228.9	218.5
Treasury	3,612.3	3,689.2	1,975.5	1,783.8	1,602.2
Interdepartmental Accounts - Employee					
Benefits and Miscellaneous	45.5	45.5	45.4	45.4	40.1
Total, Property Tax Relief Fund	<u>22,737.4</u>	<u>23,863.1</u>	<u>21,497.3</u>	<u>16,056.3</u>	<u>17,297.4</u>
Gubernatorial Elections Fund					
Department of:					
Law and Public Safety	—	—	21.5	11.0	—
Total, Gubernatorial Elections Fund	<u>—</u>	<u>—</u>	<u>21.5</u>	<u>11.0</u>	<u>—</u>
Casino Control Fund					
Department of:					
Law and Public Safety	65.4	60.1	55.0	53.3	48.4
Treasury	8.1	8.0	7.4	7.6	7.3
Total, Casino Control Fund	<u>73.5</u>	<u>68.1</u>	<u>62.4</u>	<u>60.9</u>	<u>55.7</u>
Casino Revenue Fund					
Department of:					
Health	0.5	0.5	0.5	0.5	0.5
Human Services	523.9	462.3	461.4	364.1	260.0
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
Total, Casino Revenue Fund	<u>526.7</u>	<u>465.1</u>	<u>464.2</u>	<u>366.9</u>	<u>262.8</u>
Total Appropriations	<u>\$53,084.9</u>	<u>\$54,500.7</u>	<u>\$52,782.5</u>	<u>\$45,259.7</u>	<u>\$38,458.3</u>

⁽¹⁾ 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.

The following table sets forth, by major category, the original and anticipated supplemental appropriations for Fiscal Years 2020 through 2023 and the recommended appropriations for Fiscal Year 2024 as presented in the Governor’s Fiscal Year 2024 Budget Message.

SUMMARY OF APPROPRIATIONS BY MAJOR CATEGORY
(In Millions)

	Fiscal Year 2024 Recommended	Fiscal Year 2023 Estimated	Fiscal Year 2022 Actual	Fiscal Year 2021 Actual	Fiscal Year 2020 Actual
State Aid	\$22,722.3	\$21,831.8	\$20,861.7	\$18,231.0	\$17,359.4
Grants-in-Aid	16,988.9	16,778.6	14,023.2	12,204.3	10,804.1
Direct State Services	10,820.4	10,621.5	10,148.2	8,593.6	8,123.2
Capital Construction	1,971.5	4,648.0	7,354.2	5,589.6	1,827.2
Debt Service on General Obligation Bonds ...	581.8	620.8	395.2	641.2	344.4
Total	\$53,084.9	\$54,500.7	\$52,782.5	\$45,259.7	\$38,458.3

Total Fiscal Year 2024 appropriations decreased by \$1.416 billion as compared to total Fiscal Year 2023 adjusted appropriations. The Fiscal Year 2023 adjusted appropriations include a recommended supplemental appropriation of \$2.35 billion to the New Jersey Debt Defeasance and Prevention Fund. Not taking into account that supplemental appropriation, the Fiscal Year 2024 recommended appropriations increased by \$934 million. Significant increases include increased recommended funding for PreK-12 school aid, increased funding to pay the contributions to the Pension Plans, increased costs in entitlement programs such as NJFamilyCare, enhanced payments to child care providers, as well as net increases in Health Benefits costs. These increases are partially offset by the removal in Fiscal Year 2023 of one-time appropriations enacted in Fiscal Year 2023.

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The following tables set forth recommended appropriations by department and by major category for Fiscal Year 2024 and adjusted appropriations by department and major category for Fiscal Year 2023.

**RECOMMENDED APPROPRIATIONS FOR BUDGETED STATE FUNDS
FOR THE FISCAL YEAR ENDING JUNE 30, 2024
(In Millions)**

<u>Government Branch</u>	<u>Direct State Services</u>	<u>Grants-in-Aid</u>	<u>State Aid</u>	<u>Capital Construction</u>	<u>Debt Service</u>	<u>Total</u>
Chief Executive.....	\$ 13.7	\$ -	\$ -	\$ -	\$ -	\$ 13.7
Agriculture.....	10.9	93.9	41.2	-	-	146.0
Banking and Insurance.....	90.3	-	-	-	-	90.3
Children and Families.....	403.2	984.6	-	-	-	1,387.8
Community Affairs.....	61.8	191.6	898.6	-	-	1,152.0
Corrections.....	1,052.0	90.6	33.4	-	-	1,176.0
Education.....	109.1	91.2	19,608.0	-	-	19,808.3
Environmental Protection.....	288.9	2.8	20.2	185.0	31.4	528.3
Health.....	451.2	788.6	-	-	-	1,239.8
Human Services.....	317.6	8,188.9	487.4	-	-	8,993.9
Labor and Workforce Development....	120.2	86.4	-	-	-	206.6
Law and Public Safety.....	805.3	42.2	19.3	-	-	866.8
Military and Veterans' Affairs.....	112.1	3.4	-	-	-	115.5
State.....	80.1	1,849.0	24.8	-	-	1,953.9
Transportation.....	100.4	160.0	108.2	1,578.0	-	1,946.6
Treasury.....	618.1	2,714.4	1,481.2	-	550.4	5,364.1
Miscellaneous Commissions.....	1.0	-	-	-	-	1.0
Interdepartmental.....	5,196.4	1,701.3	-	208.5	-	7,106.2
Subtotal.....	9,832.2	16,988.9	22,722.3	1,971.5	581.8	52,096.8
Legislature.....	110.8	-	-	-	-	110.8
Judiciary.....	877.3	-	-	-	-	877.3
Grand Total.....	\$10,820.4	\$16,988.9	\$22,722.3	\$1,971.5	\$581.8	\$53,084.9

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**ADJUSTED APPROPRIATIONS FOR BUDGETED STATE FUNDS
FOR THE FISCAL YEAR ENDING JUNE 30, 2023
(In Millions)**

<u>Government Branch</u>	<u>Direct State Services</u>	<u>Grants-in-Aid</u>	<u>State Aid</u>	<u>Capital Construction</u>	<u>Debt Service</u>	<u>Total</u>
Chief Executive	\$ 11.7	\$ –	\$ –	\$ –	\$ –	\$ 11.7
Agriculture	10.9	93.9	20.7	97.8	–	223.3
Banking and Insurance.....	90.3	–	–	–	–	90.3
Children and Families.....	389.5	964.6	–	–	–	1,354.1
Community Affairs	143.3	281.6	1,007.3	–	–	1,432.2
Corrections.....	1,038.5	115.2	33.4	–	–	1,187.1
Education	105.6	85.5	18,568.8	–	–	18,759.9
Environmental Protection	293.0	17.5	20.8	429.3	31.0	791.6
Health	460.8	719.4	–	–	–	1,180.2
Human Services	315.2	7,504.7	488.1	–	–	8,308.0
Labor and Workforce Development....	116.9	90.4	–	–	–	207.3
Law and Public Safety	815.9	45.4	7.1	3.5	–	871.9
Military and Veterans' Affairs.....	105.2	2.9	–	–	–	108.1
State	80.5	1,730.9	35.2	–	–	1,846.6
Transportation.....	163.6	120.1	119.3	1,552.9	–	1,955.9
Treasury	600.3	2,878.4	1,531.1	–	589.8	5,599.6
Miscellaneous Commissions.....	1.0	–	–	–	–	1.0
Interdepartmental	4,892.2	2,128.1	–	2,564.5	–	9,584.8
Subtotal.....	9,634.4	16,778.6	21,831.8	4,648.0	620.8	53,513.6
Legislature.....	111.8	–	–	–	–	111.8
Judiciary	875.3	–	–	–	–	875.3
Grand Total.....	\$10,621.5	\$16,778.6	\$21,831.8	\$4,648.0	\$620.8	\$54,500.7

Programs Funded Under Recommended Appropriations in Fiscal Year 2024

\$53.085 billion in appropriations is recommended for Fiscal Year 2024 from the General Fund, the Property Tax Relief Fund, the Casino Control Fund and the Casino Revenue Fund. \$22.722 billion (43%) is recommended for State Aid, which consists 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. \$16.989 billion (32%) is recommended for Grants-in-Aid, which represents 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. \$10.820 billion (20%) is recommended for Direct State Services, which supports the operation of the State government’s departments, the Governor’s Office, several commissions, the State Legislature and the Judiciary. \$1.972 billion (4%) is recommended for Capital Construction, which supports capital construction pay-as-you-go and debt service on bonds issued to fund capital construction. \$582 million (1%) is recommended for Debt Service on State General Obligation Bonds.

In Fiscal Year 2024, \$5.971 billion of State funds has been recommended to the Pension Plans. This amount is equal to the actuarially recommended contribution less a Special Asset Adjustment calculated by LECA. See “STATE FUNDING OF PENSION PLANS” herein. For more information on the fiscal impact of the Lottery Enterprise contribution on the Teachers’ Pension and Annuity Fund (“TPAF”), the Public Employees’ Retirement System (“PERS”) and Police and Firemen’s Retirement System (“PFRS”), see “STATE FUNDING OF PENSION PLANS - Lottery Enterprise Contribution Act.”

Capital Construction

All recommended appropriations for capital projects are subject to the review of the New Jersey Commission on Capital Budgeting and Planning (the “Commission”) which voted to recommend such funding at its meeting on February 24, 2023. 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 ACFR, as well as the unfunded actuarial accrued liability for pension plans and the actuarial accrued liability for other post-employment medical benefits. The debt report is not an audited report.

For Fiscal Year 2024, requests for Capital Construction funding were substantially higher than the amount recommended by the Commission. The recommended appropriations for Capital Construction contained in the Governor’s Fiscal Year 2024 Budget Message are largely based on the recommendations of the Commission. There can be no assurance that the amounts ultimately 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.

Transportation Capital Program

The Governor’s Fiscal Year 2024 Budget Message recommends a \$2 billion Transportation Capital Program for the New Jersey Department of Transportation (“NJDOT”), NJ Transit and local governments. *L. 2016, c. 56*, provides for an eight (8) year, \$16 billion Transportation Capital Program between Fiscal Year 2017 and Fiscal Year 2024. *L. 2022, c. 38* increased the overall Transportation Capital Program size to \$16.6 billion in order to maintain the Program at least an average of \$2 billion after the advancement of \$600 million of capital projects in Fiscal Year 2021 to help stimulate the State economy during the height of the pandemic.

Debt Service on General Obligation Bonds and State Appropriation Obligations

The total Fiscal Year 2024 recommended appropriation for debt service on General Obligation Bonds and State Appropriation Obligations is \$4.347 billion. Of this amount, \$581.8 million represents principal and interest payments for General Obligation Bonds.

The Governor’s Fiscal Year 2024 Budget Message recommends appropriations for debt service on State Appropriation Obligations are in the aggregate amount of \$3.765 billion. Such appropriations are contained within the multiple functional categories, including State Aid, Grants-in-Aid, Direct State Services and Capital Construction. Appropriated debt service differs from the amounts shown in the tables entitled “SUMMARY OF LONG-TERM OBLIGATIONS AS OF JUNE 30, 2022” and “ESTIMATED FUTURE DEBT SERVICE ON LONG-TERM OBLIGATIONS AS OF JUNE 30, 2022” due to various budgetary adjustments.

Federal Aid

Federal Aid Receipts

In general, federal aid receipts in the General Fund and Special Transportation Fund of the State do not have a material impact on the financial condition of the General Fund of the State because federal aid receipts are required to be applied to specific designated expenditures, and the amount of federal aid receipts matches the amount of such expenditures. In some circumstances, federal aid receipts do impact the General Fund because they offset expenditures that the State would otherwise be required to make. In addition, with respect to many of the programs pursuant to which the State receives federal aid, the State is subject to audits of the expenditures to ensure that the State complied with the program requirements. In instances in which the State makes expenditures in violation of program requirements, the State may be obligated to repay the federal government the amounts of such expenditures and other associated amounts.

Actual federal aid receipts in the General Fund and Special Transportation Fund for Fiscal Years 2020 through 2022, which are non-budgeted revenues, amounted to \$16,414.2 million, \$20,348.0 million and \$24,103.9 million, respectively. Federal receipts in the General Fund and the Special Transportation Fund for Fiscal Year 2023

and for Fiscal Year 2024 are estimated to be \$23,299.1 million and \$23,310.5 million respectively. Such federal aid receipts for Fiscal Year 2024 are composed of \$14,683.4 million for health-related family programs under Titles XIX and XXI, \$1,457.5 million for other human services, \$1,571.1 million for Title I and other education, \$553.7 million for labor, \$1,586.4 million for transportation, and the remainder for all other federal aid programs.

Federal Coronavirus Relief Aid

The federal government has provided substantial relief to States to help recover from, and mitigate the financial pressures of, the pandemic. These stimulus packages have not only largely offset the need for the State to incur costs related to the public health emergency, but also have provided opportunities for the State to offset current expenditures and potentially replace lost revenues. The major stimulus packages have included the CARES Act, which established the \$150 billion Coronavirus Relief Fund (“CRF”); the CRRSA, which amended and supplemented the CARES Act, and the ARP, which established a \$350 billion State and Local Fiscal Recovery Fund (“SLFRF”). The CRF and the SLFRF were only two of the many grants made available by the federal government to help mitigate the financial pressures of the pandemic.

The State has utilized some of the federal funding streams to offset State budgeted costs. The State received \$6.2 billion in direct SLFRF and allocated approximately \$4.8 billion to various multi-year State programs as of March 2023. The State is able to use SLFRF to offset pandemic revenue losses. Using SLFRF guidance and the U.S. Department of the Treasury’s final ruling, that became effective April 1, 2022, the State’s combined Fiscal Year 2020 and Fiscal Year 2021 revenue loss amounted to \$6.943 billion. Since remaining SLFRF balances are significantly less than the Fiscal Year 2020 and Fiscal Year 2021 revenue loss amount, New Jersey may only use up to the remaining balances to offset pandemic revenue losses. To date, the State has applied the revenue loss provision to nine programs totaling \$187.5 million. The State will work to obligate all remaining SLFRF balances by the December 31, 2024 deadline and spend the entire \$6.2 billion award by the December 31, 2026 deadline.

As with all federal aid grants, the expenditure and use of these funds will be subject to federal audit. The State is utilizing a host of internal controls and documentation to ensure, to the greatest extent possible, that the expenditure of funds complies with the federal regulations and guidance.

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 budgeted, non-budgeted and federal funds. The table entitled “EXPENDITURES” on the next page displays the expenditures for Fiscal Years 2020 through 2022.

Expenditures exceed the dollar amounts enumerated in the 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.

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EXPENDITURES
(In Millions)

	For the Fiscal Year Ended June 30		
	2022	2021	2020
<u>General Fund:</u>			
Legislative Branch	\$ 93.2	\$ 89.7	\$ 86.9
Chief Executive's Office	8.2	8.0	8.2
Department of:			
Agriculture	1,219.3	746.7	675.6
Banking and Insurance	80.0	54.5	90.5
Children and Families	2,042.3	1,799.3	1,910.7
Community Affairs	2,799.1	1,466.7	821.3
Corrections	1,229.0	1,149.2	1,169.9
Education	2,272.4	6,961.7	1,766.5
Environmental Protection	708.1	647.9	584.2
Health	2,564.5	2,450.8	2,086.7
Human Services	23,202.8	20,380.1	18,725.4
Labor and Workforce Development	924.7	885.0	788.0
Law and Public Safety	2,110.1	1,843.9	1,476.8
Military and Veterans' Affairs	175.1	157.2	161.1
State	1,760.4	1,732.9	1,366.9
Transportation	3,208.0	2,819.2	3,198.1
Treasury	2,164.8	2,118.1	1,495.2
Miscellaneous Executive Commissions	1.0	0.8	0.7
Interdepartmental Accounts	11,603.0	8,829.9	4,622.2
Judicial Branch	950.7	904.1	901.4
Total General Fund	\$59,116.7	\$55,045.7	\$41,936.3
<u>Property Tax Relief Fund:</u>			
Department of:			
Agriculture	\$ 14.1	\$ 8.6	\$ 5.6
Community Affairs	384.4	363.5	319.8
Corrections	23.9	21.9	21.6
Education	17,867.8	12,832.6	14,217.2
Environmental Protection	5.1	4.8	4.8
Health	-	-	-
Human Services	246.0	220.2	200.0
Law and Public Safety	5.2	4.5	3.0
State	5.0	3.7	3.6
Transportation	301.9	223.4	218.8
Treasury	2,334.8	2,164.8	1,996.8
Interdepartmental	45.4	45.2	39.8
Total Property Tax Relief Fund	\$21,233.6	\$15,893.2	\$17,031.0
<u>Gubernatorial Elections Fund:</u>			
Law and Public Safety	\$ 19.1	\$ 10.6	\$ -
<u>Casino Control Fund:</u>			
Department of:			
Law and Public Safety	\$ 53.6	\$ 49.1	\$ 45.2
Treasury	6.0	5.3	5.3
Total Casino Control Fund	\$ 59.6	\$ 54.4	\$ 50.5
<u>Casino Revenue Fund:</u>			
Department of:			
Health	\$ 0.5	\$ 0.5	\$ 0.5
Human Services	458.2	363.9	259.7
Labor and Workforce Development	2.2	0.8	2.2
Law and Public Safety	0.1	0.1	0.1
Total Casino Revenue Fund	\$ 461.0	\$ 365.3	\$ 262.5
Total Expenditures	\$80,890.0	\$71,369.2	\$59,280.3

CASH MANAGEMENT

Timing imbalances of the revenue collections and expenditures of the General Fund and the Property Tax Relief Fund exist because approximately 60% of the State's net major tax revenues is received in the second half of the fiscal year and over 35% of net major tax revenues is received during the last quarter of the fiscal year. At times, this timing imbalance has led to State revenues only exceeding State expenditures late in the third quarter or early in the fourth quarter of the fiscal year. In past fiscal years, the State's negative cash flow position through the first three quarters of a fiscal year was exacerbated by the fact that GIT receipts are not known until around early May of each fiscal year.

Furthermore, *L. 2016, c. 83* (the "Pension Contribution Act") requires the State to make its payments to the Pension Plans in quarterly installments on September 30, December 31, March 31 and June 30 commencing in Fiscal Year 2018. Prior to Fiscal Year 2018, the State had made its payments to the Pension Plans at the end of each fiscal year. The Pension Contribution Act reduces the State's flexibility to decrease expenditures in a fiscal year if revenues are less than anticipated. To address these challenges, the State employs a cash flow modeling system in order to manage cash on a daily basis and forecast cash flow throughout the fiscal year. Should it become necessary, the State may utilize a variety of tools to manage its cash flow. These tools include, but are not limited to: issuance of Tax and Revenue Anticipation Notes ("TRANs"); management of the impact of debt issuances during a fiscal year; interfund borrowing during a fiscal year; and eliminating and/or limiting the use of General Fund balances to provide upfront cash for other funds' expenditures, such as the Transportation Trust Fund ("TTF").

Despite these challenges, recent influxes of federal funding and strong revenue collections have eliminated the need for the State to rely upon the issuance of TRANs. No TRANs have been issued since Fiscal Year 2020, and the State does not expect to issue TRANs during Fiscal Year 2024.

TAX AND REVENUE ANTICIPATION NOTES

The State has the ability to issue TRANs to aid in providing effective cash flow management by funding timing imbalances that occur in the collection and disbursement of the General Fund and Property Tax Relief Fund revenues. 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. TRANs are payable solely from revenues attributable to the fiscal year in which the TRANs were issued. The State does not expect to issue TRANs during Fiscal Year 2024.

LONG-TERM OBLIGATIONS

General Obligation Bonds

General Obligation Bonds of the State are authorized from time to time by Acts of the State Legislature. Each such "Bond Act" sets forth the authorized amounts and purposes of the bonds as well as certain parameters for issuing bonds, such as maximum term. Purposes under the Bond Acts have included open space and farmland preservation, water supply protection, transportation, higher education, port development, economic development, hazardous waste remediation, and many other public purposes. The Bond Acts provide that the bonds issued represent a debt of the State, and the faith and credit of the State are pledged to their repayment. Generally, each Bond Act requires voter approval. However, the Emergency Exception provides that no voter approval is required for bonds issued to meet an emergency caused by a disaster. See "CERTAIN CONSTITUTIONAL PROVISIONS AND JUDICIAL DECISIONS – Debt Limitations" herein. To address the financial consequences of the pandemic, the Emergency Bond Act was passed pursuant to which, on November 24, 2020, the State issued its \$3,672,360,000 New Jersey COVID-19 General Obligation Emergency Bonds, 2020 Series A. The State no longer has authorization to issue any additional bonds under the Emergency Bond Act.

Certain decisions relating to a general obligation bond sale, including the setting of interest rates and amortization of the bonds, are delegated to the "Issuing Officials" of the State, comprising the Governor, State Treasurer and Budget Director. The State Treasurer is directed to hold and invest the proceeds of the bond sale

pending their expenditure in separate funds as established by the Bond Act. The Refunding Bond Act of 1985 sets forth the procedures and parameters for issuing bonds for the purpose of refunding outstanding bonds issued under any other Bond Act.

General Obligation Bonds are described in the “Notes to the Financial Statements” and the Statistical Section set forth in the 2022 ACFR which is incorporated by specific reference herein. See also the table captioned “STATE OF NEW JERSEY — LEGISLATIVELY AUTHORIZED BUT UNISSUED DEBT, 2022 AND 2021” in the 2022 ACFR.

State Appropriation Obligations

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, if any, on swap agreements defined below under “- *Swap Agreements.*” The State Legislature has no legal obligation to enact appropriations to fund such payments, but has done so to date for all such obligations. The amounts appropriated to make such payments are included in the appropriation for the department, authority or other entity administering the program or in other line item appropriations. See “STATE FINANCES — Budget and Appropriation Process” and “FINANCIAL RESULTS AND ESTIMATES — Appropriations” herein. The principal amount of bonds which may be issued and the notional amount of swap agreements 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 or limitations and impose, modify or remove programmatic restrictions. The State Legislature may also authorize new swap agreements with the governmental authorities listed below or other governmental authorities to secure the financing of projects and programs in the future. Certain of these changes may require voter approval.

The State expects that additional State Appropriation Obligations will be issued during Fiscal Years 2023 and 2024 and future fiscal years. The Lance Amendment, described under “CERTAIN CONSTITUTIONAL PROVISIONS AND JUDICIAL DECISIONS — Debt Limitations” herein, prohibits the State Legislature from enacting legislation authorizing State Appropriation Obligations payable from sources other than constitutionally dedicated sources unless such legislation is submitted and approved by a majority of legally qualified voters of the State voting thereon at a general election. The State Legislature is not legally obligated to appropriate amounts for the payment of such State Appropriation Obligations debt service in any year, and there can be no assurance that the State Legislature will make any such appropriations. See also the table captioned “STATE OF NEW JERSEY — LEGISLATIVELY AUTHORIZED BUT UNISSUED DEBT, 2022 AND 2021” in the 2022 ACFR.

The following tables set forth the State’s long-term obligations. The first table summarizes by issuer and by program the principal amounts outstanding on June 30, 2022 and the estimated Fiscal Year 2023 debt service on such obligations. The second table depicts the aggregate estimated future debt service as of June 30, 2022 on all such General Obligation Bonds and State Appropriation Obligations. The data contained in the tables has not been adjusted to reflect subsequent activity. The tables include certain data that are (1) for governmental entities or programs that are not considered part of the State’s long-term obligations for financial reporting purposes under generally accepted accounting principles or (2) for a component unit of the State. These items are therefore not reflected in Note 11 — Long-Term Obligations and the Schedule of Long-Term Obligations in the 2022 ACFR. In addition, there are certain obligations which are included in such Note 11, which are not included in the following tables or elsewhere in this Appendix I. The amounts included in Note 11 which are not included in the following tables consist of Business Employment Incentive Program (“BEIP”) payments to private businesses. The State Legislature has never failed to appropriate amounts for the payment of debt service on the State Appropriation Obligations included in the following tables.

**SUMMARY OF LONG-TERM OBLIGATIONS
AS OF JUNE 30, 2022**

Issuer	Type of Agreement	Principal Amount Outstanding⁽¹⁾	Fiscal Year 2023 Debt Service⁽²⁾
General Obligation Bonds	General Obligation	\$ 5,019,335,000	\$ 631,250,923
<i>State Appropriation Bonds by Issuer or Program:</i>			
Garden State Preservation Trust	Contract	412,706,342	97,640,300
New Jersey Building Authority	Lease	45,565,000	15,462,206
New Jersey Economic Development Authority			
Biomedical Research Facilities	Contract	39,450,000	3,466,098
Department of Human Services Programs	Service Contract	2,262,000	690,375
Liberty State Park Project	Lease	35,635,000	8,108,225
Motor Vehicle Surcharges Revenue	Contract	622,760,000	59,141,006
Motor Vehicle Surcharges Revenue - Special Needs Housing	Contract	123,798,391	43,056,675
Municipal Rehabilitation	Contract	71,485,000	14,231,077
New Jersey Transit Corporation Projects	Lease	934,010,000	108,652,625
School Facilities Construction	Contract	6,530,753,000	1,021,064,210
State House Project	Lease	310,480,000	23,797,509
State Government Buildings Projects		348,780,000	24,568,400
State Pension Funding	Contract	1,822,035,286	506,962,677
State Police Barracks Project	Lease	905,000	950,250
New Jersey Educational Facilities Authority			
Capital Improvement Fund	Contract	302,105,000	69,267,509
Equipment Leasing Fund Program	Contract	6,165,000	6,473,250
Facilities Trust Fund	Contract	116,600,000	19,691,331
Public Library Project Grant Program	Contract	3,630,000	3,720,750
Technology Infrastructure Fund	Contract	19,680,000	3,731,725
New Jersey Health Care Facilities Financing Authority			
Greystone Park Psychiatric Hospital Project	Contract	139,735,000	17,566,838
Hospital Asset Transformation Program	Contract	157,230,000	14,896,125
Marlboro Psychiatric Hospital Project	Contract	61,735,000	3,866,375
New Jersey Sports and Exposition Authority	Contract	83,245,000	32,891,777
New Jersey Transportation Trust Fund Authority			
Transportation Program Bonds	Contract	6,773,120,000	372,941,250
Transportation System Bonds	Contract	8,553,875,716	1,025,657,778
State-Supported County College Bonds	Statutory	183,868,132	32,823,289
State Equipment Line of Credit	Lease	23,393,285	14,528,074
Master Energy Lease Purchase Agreement	Lease	57,893,098	8,245,962
TOTALS		<u>\$32,802,235,249</u>	<u>\$4,185,344,587</u>

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

⁽²⁾ For variable rate obligations, estimated interest amounts were calculated using the rates in effect on June 30, 2022. (See "LONG-TERM OBLIGATIONS – Description of Certain Long-Term Obligations – Variable Rate Obligations" herein.)

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**ESTIMATED FUTURE DEBT SERVICE ON LONG-TERM OBLIGATIONS
AS OF JUNE 30, 2022**

Fiscal Year	General Obligation Bonds		State Appropriation Obligations		Total
	Principal	Interest	Principal⁽¹⁾	Interest⁽¹⁾⁽²⁾	
2023	\$ 417,010,000	\$ 214,240,923	\$ 1,952,059,054	\$ 1,602,034,611	\$ 4,185,344,587
2024	392,185,000	197,380,510	1,843,884,765	1,526,013,549	3,959,463,824
2025	410,755,000	178,661,335	1,784,757,008	1,584,972,361	3,959,145,704
2026	430,080,000	159,418,045	1,986,486,162	1,345,300,217	3,921,284,424
2027	450,255,000	139,310,033	1,768,382,653	1,200,293,758	3,558,241,444
2028	451,030,000	117,939,533	1,904,734,094	1,109,322,561	3,583,026,188
2029	444,905,000	96,338,013	1,399,682,636	1,063,529,683	3,004,455,331
2030	466,440,000	75,112,120	750,207,587	939,144,187	2,230,903,894
2031	467,440,000	57,191,330	810,597,765	916,054,153	2,251,283,248
2032	485,550,000	39,145,005	813,422,903	890,029,608	2,228,147,516
2033	120,945,000	21,871,903	949,544,859	839,298,573	1,931,660,334
2034	94,175,000	17,689,288	982,390,860	802,360,198	1,896,615,345
2035	97,490,000	14,631,013	1,033,876,028	765,746,502	1,911,743,543
2036	60,340,000	11,459,325	906,210,238	843,510,351	1,821,519,914
2037	62,275,000	9,774,250	915,971,824	785,339,770	1,773,360,845
2038	34,460,000	8,011,500	866,196,526	774,253,618	1,682,921,644
2039	36,285,000	6,700,000	874,055,920	825,351,010	1,742,391,931
2040	37,860,000	4,885,750	1,057,115,782	689,456,239	1,789,317,771
2041	40,040,000	2,992,750	1,224,278,582	354,965,159	1,622,276,491
2042	19,815,000	990,750	750,395,000	173,744,777	944,945,527
2043	–	–	607,955,000	139,313,725	747,268,725
2044	–	–	516,430,000	110,739,650	627,169,650
2045	–	–	394,265,000	87,176,150	481,441,150
2046	–	–	366,565,000	70,854,400	437,419,400
2047	–	–	358,585,000	55,100,619	413,685,619
2048	–	–	349,200,000	39,918,356	389,118,356
2049	–	–	336,675,000	25,271,125	361,946,125
2050	–	–	278,975,000	11,326,900	290,301,900
	<u>\$5,019,335,000</u>	<u>\$1,373,743,373</u>	<u>\$27,782,900,249</u>	<u>\$19,570,421,808</u>	<u>\$53,746,400,430</u>

⁽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, 2022. (See “LONG-TERM OBLIGATIONS – Description of Certain Long-Term Obligations – Variable Rate Obligations” herein.)

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New Jersey Debt Defeasance and Prevention Fund

Establishment of Debt Defeasance and Prevention Fund and Deposits

As a result of higher-than-expected revenues during Fiscal Year 2021, at the end of Fiscal Year 2021, the State established the New Jersey Debt Defeasance and Prevention Fund (the “Debt Defeasance and Prevention Fund”). Under the legislation that established the Debt Defeasance and Prevention Fund in Fiscal Year 2021, amounts in the Debt Defeasance and Prevention Fund were available to retire and defease State debt (including General Obligation Bonds and State Appropriation Obligations) and to fund capital projects on a pay-as-you-go basis. At the end of Fiscal Year 2021, the State Legislature appropriated \$3.7 billion from the State’s General Fund into the Debt Defeasance and Prevention Fund for the following purposes: \$2.5 billion for retiring and defeasing State debt and \$1.2 billion for funding capital construction projects.

At the end of Fiscal Year 2022, the State Legislature appropriated \$5.15 billion to the Debt Defeasance and Prevention Fund. While the general purposes of the amounts appropriated at the end of Fiscal Year 2022 were consistent with the purposes of the amounts appropriated in Fiscal Year 2021, the State Legislature took a different approach in that it specifically allocated a portion of the appropriated amount and then provided that the unallocated balance would be allocated in the future for either the retirement or defeasance of State debt (including General Obligation Bonds and State Appropriation Obligations) or to fund capital projects on a pay-as-you-go-basis. The portion that was specifically allocated included \$1.9 billion to the New Jersey Schools Development Authority for the purpose of funding school facilities projects, emergent needs, and capital maintenance in school districts; \$230,000,000 to the NJDOT for various capital projects and \$814,000,000 to NJ Transit for various capital projects. The unallocated balance in the Debt Defeasance and Prevention Fund was \$1.971 billion as of March 31, 2023.

The Governor’s Fiscal Year 2024 Budget Message recommends that the State Legislature make an additional appropriation to the Debt Defeasance and Prevention Fund in an amount equal to \$2.35 billion at the end of Fiscal Year 2023. While the Governor’s Fiscal Year 2024 Budget Message contemplates that this amount will be used to retire and defease State debt and to fund capital projects on a pay-as-you-go basis, the State Legislature may take a different approach than it took in Fiscal Year 2021 and in Fiscal Year 2022 in how deposited amounts may be used. If enacted, this would bring the unallocated balance in the Debt Defeasance and Prevention Fund to \$4.321 billion for Fiscal Year 2024.

State Debt Defeased from Debt Defeasance and Prevention Fund

During Fiscal Year 2022, the State defeased the following obligations:

Description and Par Amount of Defeased Obligations

Bond Issue	Par Amount Defeased (\$)
General Obligation Bonds, Series 2013	111,950,000
General Obligation Bonds, Series 2014	128,930,000
General Obligation Bonds, Series 2016	34,810,000
NJ Building Authority, State Building Revenue Refunding Bonds, Series 2009A	17,715,000
NJ Building Authority, State Building Revenue Refunding Bonds, Series 2016A	16,260,000
NJEDA Cigarette Tax Revenue Refunding Bonds, Series 2012	255,930,000 ⁽¹⁾
NJEDA School Facilities Construction Refunding Bonds, 2012 Series II	35,450,000
NJEDA School Facilities Construction Bonds, 2012 Series KK	31,360,000
NJEDA School Facilities Construction Refunding Bonds, 2013 Series NN	616,970,000
NJEDA School Facilities Construction Refunding Bonds, 2014 Series PP	227,800,000
NJEDA School Facilities Construction Bonds, 2014 Series RR	13,955,000
NJEDA School Facilities Construction Bonds, 2014 Series UU	109,460,000
NJEDA School Facilities Construction Bonds, 2015 Series WW	127,155,000
NJEDA School Facilities Construction Bonds, 2016 Series AAA	31,665,000
NJEDA School Facilities Construction Refunding Bonds, 2016 Series BBB	444,585,000

⁽¹⁾ The full outstanding par amount of the NJEDA Cigarette Tax Revenue Refunding Bonds, Series 2012 of \$436,940,000 was defeased. Of this amount, \$255,930,000 par amount was defeased from funds drawn from the Debt Defeasance and Prevention Fund and \$181,010,000 par amount was defeased from existing funds in the debt service fund and the debt service reserve fund already pledged to the Cigarette Tax Revenue Refunding Bonds.

These Fiscal Year 2022 defeasances are included in the amounts shown in the tables entitled “SUMMARY OF LONG-TERM OBLIGATIONS AS OF JUNE 30, 2022” and “ESTIMATED FUTURE DEBT SERVICE ON LONG-TERM OBLIGATIONS AS OF JUNE 30, 2022.” The escrow deposit agreement for each defeasance has been filed with the MSRB in connection with each series of defeased bonds.

During Fiscal Year 2023, the State defeased the following obligations:

Description and Par Amount of Defeased Obligations

Bond Issue	Par Amount Defeased (\$)
NJEDA School Facilities Construction Refunding Bonds, 2018 Series EEE	119,515,000
NJEDA School Facilities Construction Bonds, 2016 Series AAA	158,420,000
NJEDA School Facilities Construction Refunding Bonds, 2015 Series WW	336,945,000
NJEDA School Facilities Construction Refunding Bonds, 2017 Series DDD	194,860,000
NJEDA School Facilities Construction Bonds, 2015 Series XX	145,625,000

These Fiscal Year 2023 defeasances are not included in the amounts shown in the tables entitled “SUMMARY OF LONG-TERM OBLIGATIONS AS OF JUNE 30, 2022” and “ESTIMATED FUTURE DEBT SERVICE ON LONG-TERM OBLIGATIONS AS OF JUNE 30, 2022.” The escrow deposit agreement for each defeasance has been filed with the MSRB in connection with each series of defeased bonds.

Issuers of State Appropriation Obligations

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 issued all of 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 NJEDA is authorized to issue bonds for various purposes described below.

The NJEDA has issued revenue bonds on behalf of non-profit community service providers. The payment of debt service on these revenue bonds is the obligation of the community service providers. However, such debt service payments as well as the payment of certain other provider expenses are reimbursed 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.

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. 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 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 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”), and \$1,000,000,000 for the State share of costs for school facilities projects in all other districts, \$50,000,000 of which is allocated 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 GIT 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 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.

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. On September 14, 2016, the NJEDA issued \$46.850 million of Biomedical Research Facilities Bonds, Series 2016A. 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.

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. See “CERTAIN CONSTITUTIONAL PROVISIONS AND JUDICIAL DECISIONS – Judicial Decisions” herein.

New Jersey Educational Facilities Authority

The New Jersey Educational Facilities Authority (“NJEFA”) issues bonds pursuant to seven separate programs to finance: (i) the purchase of equipment to be leased to institutions of higher learning (the “Equipment Leasing Fund”); (ii) grants to the State’s public and private institutions of higher education for the development, construction and improvement of instructional, laboratory, communication and research facilities (the “Facilities Trust Fund”); (iii) grants to public and private institutions of higher education to develop a technology infrastructure within and among the State’s institutions of higher education (the “Technology Infrastructure Fund”); (iv) capital projects at county colleges; (v) grants to public and private institutions of higher education to finance the renewal, renovation, improvement, expansion, construction, and reconstruction of educational facilities and technology infrastructure (the “Capital Improvement Fund”); (vi) grants to public libraries to finance the acquisition, expansion and rehabilitation of buildings to be used as public library facilities and the acquisition and installation of equipment to be located therein (the “Public Library Project Grant Program”); and (vii) loans to public and private institutions of higher education and public or private secondary schools, military schools or boarding schools located in the State which are required under the Dormitory Safety Trust Fund Act to install automatic fire suppression systems for the cost or a portion of the cost of the construction, reconstruction, development, extension or improvement of dormitory safety facilities, including fire prevention and sprinkler systems (the “Dormitory Safety Trust Fund”). The debt service on the bonds issued under these programs is payable by the State pursuant to statutory provisions or contracts between the NJEFA and the State Treasurer, subject to appropriation by the State Legislature. Under the financing programs for the Equipment Leasing Fund, the Facilities Trust Fund, the Technology Infrastructure Fund and the Capital Improvement Fund, as bonds mature or are redeemed, the bonding capacity revolves. As of June 30, 2022, under these programs, the NJEFA has, in aggregate, approximately \$582,630,000 of bonding capacity.

New Jersey Health Care Facilities Financing Authority

The New Jersey Health Care Facilities Financing Authority (“HCFFA”) is authorized to acquire, construct and lease projects to the New Jersey Department of Human Services (“DHS”) and to issue bonds to finance such projects, the debt service on which shall be paid by DHS, subject to appropriation by the State Legislature. The State has financed the construction of a new Greystone Park Psychiatric Hospital, the demolition of the old Greystone Park Psychiatric Hospital and the demolition of the old Marlboro Psychiatric Hospital through the issuance of bonds by HCFFA that are secured by payments made by DHS, subject to appropriation by the State Legislature.

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

New Jersey Sports and Exposition Authority

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

New Jersey Transportation Trust Fund Authority

The New Jersey Transportation Trust Fund Authority (the “TTFA”) issues bonds for the purpose of funding a portion of the State’s share of the cost of improvements to the State’s transportation system. The bonds issued by the TTFA are special obligations of the TTFA payable from a contract 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.

The New Jersey Transportation Trust Fund Authority Act of 1984, as amended by L. 2016, c. 56 authorizes the issuance of \$12 billion in Transportation Program Bonds between Fiscal Year 2017 and Fiscal Year 2024, the payment of debt service on which must be paid solely from revenues dedicated for transportation purposes pursuant to Article VIII, Section II, paragraph 4 of the State Constitution.

An amendment to Article VIII, section II, paragraph 4 of the State Constitution was approved by the voters on November 8, 2016, dedicating all revenue from the motor fuels and petroleum products gross receipts taxes for transportation purposes. These constitutionally dedicated monies are available to be appropriated by the Legislature to the TTFA to pay debt service on Transportation Program Bonds issued by the TTFA and as pay-as-you-go-funding. Any constitutionally dedicated revenues in excess of the amount needed to pay debt service on TTFA bonds and Transportation Capital Program project costs are appropriated to the Transportation Trust Fund Account - Subaccount for Capital Reserves to meet future Transportation Capital Program needs.

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.

State Equipment Lease Financing

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

Master Energy Lease Purchase Agreement

The State finances the acquisition of certain energy efficiency projects at State facilities through equipment lease financings established from time to time with one or more financial services providers. Repayments of amounts drawn under the equipment lease financings are subject to appropriation by the State Legislature.

Description of Certain Long-Term Obligations

Variable Rate Obligations

As of June 30, 2022, the NJEDA had outstanding \$380,515,000 of floating rate notes ("FRN"), which bear interest at rates that reset weekly and are based on the Securities Industry and Financial Markets Association ("SIFMA") rate plus a fixed spread. There are no letters of credit in support of these notes. Such notes are included within the Long-Term Obligations tables herein.

The following table provides a summary of the State-supported variable rate obligations outstanding as of June 30, 2022.

SUMMARY OF VARIABLE RATE OBLIGATIONS AS OF JUNE 30, 2022

<u>Issuer</u>	<u>Series</u>	<u>Type-Reset Period</u>	<u>Amount Outstanding as of 6/30/22</u>	<u>Index Rate (if applicable)</u>	<u>Interest Rate as of 6/30/22</u>	<u>Maturity Date</u>
NJEDA School Facilities Construction	2013 Series I	FRN-Weekly	\$ 60,850,000	SIFMA+1.25%	2.16%	9/01/25
	2013 Series I	FRN-Weekly	89,580,000	SIFMA+1.55	2.46	9/01/27
	2013 Series I	FRN-Weekly	230,085,000	SIFMA+1.60	2.51	3/01/28
		Total	<u>\$380,515,000</u>			

Bank Loan Bonds

The NJEDA and the NJEFA have issued certain series of bonds to finance school facilities construction projects and higher education capital improvement projects pursuant to term loan agreements with several banks. A bank's rights under such term loan agreements are essentially the same as bondholders' rights except for a few differences. The bank may require the mandatory term out of the bonds for a shortened amortization period if certain events occur under the loan agreement, including, without limitation, the failure to pay, or cause to be paid, when due, principal of or interest on the bonds, a debt moratorium, a ratings downgrade, a material failure to perform under the applicable State contract, an action that materially adversely affects the rights, remedies or security of the trustee under the bond resolution or the bank under the term loan agreement or a material amendment or modification to the applicable State contract without the prior written consent of the bank. For tax-exempt bonds, the term loan agreements provide that if an event of taxability occurs, the interest rate on the bonds will increase. The aggregate amount of such bank loan bonds outstanding as of June 30, 2022 is \$1,400,473,000. Such bonds are included within the Long-Term Obligations tables herein.

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The following table provides a summary of the State-supported term loan agreements outstanding as of June 30, 2022.

BANK LOAN PORTFOLIO

<u>Lender</u>	<u>Series</u>	<u>Tax Status</u>	<u>Amount Outstanding as of 6/30/22</u>	<u>Fixed Interest Rate*</u>	<u>Maturity Date</u>
<u>NJEDA School Facilities Construction Bonds</u>					
Bank of America, N.A.	2014 Series SS	Tax Exempt	\$ 40,690,000	2.910%	6/15/2023
Bank of America, N.A.	2014 Series SS	Tax Exempt	41,800,000	2.910	6/15/2024
Barclays Capital Inc.	2019 Series GGG	Tax Exempt	31,100,000	5.250	9/1/2022
Barclays Capital Inc.	2019 Series GGG	Tax Exempt	79,440,000	5.250	9/1/2023
Barclays Capital Inc.	2019 Series GGG	Tax Exempt	102,850,000	5.250	9/1/2024
Barclays Capital Inc.	2019 Series GGG	Tax Exempt	86,620,000	5.250	9/1/2025
Barclays Capital Inc.	2019 Series GGG	Tax Exempt	104,200,000	5.250	9/1/2026
Barclays Capital Inc.	2019 Series GGG	Tax Exempt	30,555,000	5.250	9/1/2027
Barclays Capital Inc.	2019 Series HHH-1	Tax Exempt	21,060,000	5.250	9/1/2022
Barclays Capital Inc.	2019 Series HHH-2	Taxable	31,225,000	3.750	9/1/2022
Capital One Public Funding, LLC	2019 Series III	Tax Exempt	1,519,000	3.070	12/15/2022
Capital One Public Funding, LLC	2019 Series III	Tax Exempt	1,567,000	3.070	12/15/2023
Capital One Public Funding, LLC	2019 Series III	Tax Exempt	7,579,000	3.070	12/15/2024
Capital One Public Funding, LLC	2019 Series III	Tax Exempt	2,355,000	3.070	12/15/2025
Capital One Public Funding, LLC	2019 Series III	Tax Exempt	13,065,000	3.070	12/15/2026
Capital One Public Funding, LLC	2019 Series III	Tax Exempt	18,856,000	3.070	12/15/2027
Capital One Public Funding, LLC	2019 Series III	Tax Exempt	10,946,000	3.070	12/15/2028
Capital One Public Funding, LLC	2019 Series III	Tax Exempt	10,304,000	3.070	12/15/2029
Capital One Public Funding, LLC	2019 Series III	Tax Exempt	25,544,000	3.070	12/15/2030
Capital One Public Funding, LLC	2019 Series III	Tax Exempt	8,344,000	3.070	12/15/2031
PNC Bank, N.A.	2019 Series JJJ	Tax Exempt	3,742,000	2.765	9/1/2022
PNC Bank, N.A.	2019 Series JJJ	Tax Exempt	8,360,000	2.765	9/1/2023
PNC Bank, N.A.	2019 Series JJJ	Tax Exempt	351,000	2.765	9/1/2024
PNC Bank, N.A.	2019 Series JJJ	Tax Exempt	361,000	2.765	9/1/2025
PNC Bank, N.A.	2019 Series JJJ	Tax Exempt	9,528,000	2.765	9/1/2026
PNC Bank, N.A.	2019 Series JJJ	Tax Exempt	9,795,000	2.765	9/1/2027
PNC Bank, N.A.	2019 Series KKK	Tax Exempt	451,000	3.470	12/15/2022
PNC Bank, N.A.	2019 Series KKK	Tax Exempt	467,000	3.470	12/15/2023
PNC Bank, N.A.	2019 Series KKK	Tax Exempt	483,000	3.470	12/15/2024
PNC Bank, N.A.	2019 Series KKK	Tax Exempt	500,000	3.470	12/15/2025
PNC Bank, N.A.	2019 Series KKK	Tax Exempt	518,000	3.470	12/15/2026
PNC Bank, N.A.	2019 Series KKK	Tax Exempt	536,000	3.470	12/15/2027
PNC Bank, N.A.	2019 Series KKK	Tax Exempt	555,000	3.470	12/15/2028
PNC Bank, N.A.	2019 Series KKK	Tax Exempt	575,000	3.470	12/15/2029
PNC Bank, N.A.	2019 Series KKK	Tax Exempt	595,000	3.470	12/15/2030
PNC Bank, N.A.	2019 Series KKK	Tax Exempt	27,695,000	3.470	12/15/2031
PNC Bank, N.A.	2019 Series KKK	Tax Exempt	21,782,000	3.470	12/15/2032
Bank of America, N.A.	2020 Series OOO	Tax Exempt	94,060,000	4.090	6/15/2023
Bank of America, N.A.	2020 Series OOO	Tax Exempt	99,245,000	4.240	6/15/2024
Bank of America, N.A.	2020 Series OOO	Tax Exempt	79,935,000	4.390	6/15/2025
Bank of America, N.A.	2020 Series PPP	Taxable	93,735,000	4.600	6/15/2023
Bank of America, N.A.	2020 Series PPP	Taxable	98,900,000	4.750	6/15/2024
Bank of America, N.A.	2020 Series PPP	Taxable	79,655,000	4.900	6/15/2025
	Total		\$1,301,443,000		
<u>NJEDA Municipal Rehabilitation Bonds</u>					
Barclays Capital Inc.	2019 Series A	Tax Exempt	10,545,000	5.250	4/1/2025
Barclays Capital Inc.	2019 Series A	Tax Exempt	10,430,000	5.250	4/1/2026
Barclays Capital Inc.	2019 Series A	Tax Exempt	9,320,000	5.250	4/1/2027
Barclays Capital Inc.	2019 Series A	Tax Exempt	13,435,000	5.250	4/1/2028
Barclays Capital Inc.	2019 Series B	Taxable	1,790,000	4.580	4/1/2026
Barclays Capital Inc.	2019 Series B	Taxable	3,500,000	4.580	4/1/2027
	Total		\$ 49,020,000		

<u>Lender</u>	<u>Series</u>	<u>Tax Status</u>	<u>Amount Outstanding as of 6/30/22</u>	<u>Fixed Interest Rate*</u>	<u>Maturity Date</u>
<u>NJEFA Higher Education Capital Improvement Fund Bonds</u>					
DNT Asset Trust	Series 2016 A	Tax Exempt	\$41,240,000	3.130%	9/1/2022
DNT Asset Trust	Series 2016 A	Tax Exempt	4,650,000	3.300	9/1/2023
DNT Asset Trust	Series 2016 A	Tax Exempt	4,120,000	3.440	9/1/2024
		Total	\$ 50,010,000		
		Grand Total	\$1,400,473,000		

* Interest rate subject to adjustment upon a downgrade in the State's credit rating.

Swap Agreements

The various independent State authorities authorized to issue State Appropriation Obligations in certain cases are also authorized to enter into interest rate exchange agreements ("Swap Agreements"). As of June 30, 2022, the notional amount of Swap Agreements supported by State appropriations is zero.

MORAL OBLIGATIONS

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 obligations outstanding as of June 30, 2022 and debt service for Fiscal Year 2023.

	Principal Amount Outstanding	Fiscal Year 2023 Debt Service
South Jersey Port Corporation	\$ 181,795,000	\$ 22,012,695
South Jersey Port Corporation Subordinated	255,000,000	12,750,000
Higher Education Student Assistance Authority.....	1,417,065,000	211,008,552
	\$1,853,860,000	\$245,771,247

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 and subordinated debt service reserve fund for the past five fiscal years. The State expects the Port Corporation to request that the State replenish the debt service reserve funds of the Port Corporation in Fiscal Year 2023.

<u>Fiscal Year</u>	<u>Amounts Paid for Debt Service</u>	<u>Amounts Paid for Debt Service (Subordinated)</u>
2018.....	\$17,650,000	\$ -
2019.....	17,650,000	-
2020.....	17,000,000	11,375,275
2021.....	17,873,000	11,291,000
2022.....	16,925,000	12,710,000

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.

OTHER OBLIGATIONS

The following Other Obligations are not considered State Appropriation Obligations and are therefore not included in the amounts shown in the tables entitled “SUMMARY OF LONG-TERM OBLIGATIONS AS OF JUNE 30, 2022” and “ESTIMATED FUTURE DEBT SERVICE ON LONG-TERM OBLIGATIONS AS OF JUNE 30, 2022”.

New Jersey Transportation Trust Fund Authority – “GARVEES”

On November 2, 2016, the TTFA issued \$3.241 billion of Federal Highway Reimbursement Revenue Notes (“GARVEE Notes”) which consisted of \$2.741 billion of publicly offered 2016 Series A GARVEE Notes and \$500 million of 2016 Series B GARVEE Notes, which are bank loan notes, purchased by Bank of America, N.A. Both Series of Notes are secured solely by reimbursements received by or on behalf of the NJDOT pursuant to Title 23 of the United States Code from the Federal Highway Administration. On July 25, 2018, \$1.2 billion of 2018 Series A GARVEE Refunding Notes were issued to refund a portion of the 2016 Series A GARVEE Notes. As of June 30, 2022, the aggregate amounts of GARVEE Notes and Refunding Notes outstanding are \$1,437,520,000 and \$957,385,000, respectively.

Qualified Bonds

L. 1976, c. 38, as amended by L. 2015, c. 95, and L. 1976, c. 39 (the “Acts”) provide for the issuance of “Qualified Bonds” by municipalities and school districts. Whenever a local board of education or the governing body of a municipality determines to issue bonds, it may file an application with the Local Finance Board, and, in the case of a local board of education, also with the Commissioner of Education, to qualify bonds pursuant to the Acts. Upon approval of such application, the State Treasurer shall withhold from certain State appropriations of revenues or other State aid payable to the municipalities or appropriations of State school aid payable to the school district, as appropriate, an amount sufficient to pay debt service on such bonds. Additionally, with respect to Qualified Bonds issued by municipalities, a statutory lien and trust, superior to all other liens, automatically attaches to such appropriations, in favor of the holders of Qualified Bonds, for the sole purpose of paying debt service on the Qualified Bonds. These Qualified Bonds are not direct, guaranteed or moral obligations of the State, and debt service on such bonds will be paid by the State only to the extent that the State aid or State school aid has been appropriated by the State Legislature. As of June 30, 2022, the aggregate amounts of municipal and school district Qualified Bonds outstanding are \$1,024,945,426 and \$25,595,000, respectively.

Tobacco Settlement Asset-Backed Bonds

The State has transferred to the Corporation, established pursuant to L. 2002, c. 32 (the “Act”), the State’s right to receive all tobacco settlement receipts (the “TSRs”) to be received by the State after December 1, 2003 from the multi-state Master Settlement Agreement (“MSA”) which settled litigation with the participating tobacco companies. In April 2018, the Corporation refunded all of its outstanding Tobacco Settlement Asset-Backed Bonds,

Series 2007-1 with the proceeds of its Tobacco Settlement Bonds, Series 2018A (Senior) & 2018B (Subordinate). As of June 30, 2022, the Corporation had \$2,696,520,000 in outstanding bonds secured by TSRs.

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 55,689 full-time Executive Branch employees are paid through the State payroll system. Of the 55,689 employees, approximately 51,705 are represented by certified or recognized exclusive majority representatives and are organized into various negotiation units. There are twelve plus civilian units, ten of which presently represent approximately 51,705 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 6,016 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 5,467 employees, 6,982 employees, 15,369 employees and 2,366 employees, respectively, for a total of 30,184 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 4,292 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 404 employees (represented by IBEW Local 33) and 742 employees (represented by IBEW Local 30), respectively. There are approximately 10,066 employees represented by twelve 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. 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 10,066 State employees come under the binding interest arbitration process. Of the 10,066, approximately 2,887 are in the State Police.

Contract Status

The State has entered into a four-year contract for Fiscal Years 2020-2023 with the IFPTE Local 195 and the Motor Vehicle Inspector Division of Local 32BJ SEIU, CTW, CLC. The contract provides for across the board salary increases of approximately 8.0% as follows: 2% in Fiscal Year 2020 (effective the first full pay period after October 1, 2019), 2% in Fiscal Year 2021 (effective the first full pay period after July 1, 2020), 2% in Fiscal Year 2022 (effective the first full pay period after July 1, 2021) and 2% in Fiscal Year 2022 (effective the first full pay period after April 1, 2022). In addition to these 2% increases, any full-time employee on the active payroll with an annual base salary under \$41,400 shall receive a cash bonus, not included in base salary, equal to the difference between the across the board increase on an annual salary of \$41,400 and the across the board increase of that employee’s base salary. In June 2020, the parties entered into a memorandum of agreement to defer the 2% increase and the under \$41,400 cash bonus payment due in Fiscal Year 2021 to the first full pay period after December 1, 2021 and the 2% increase and under \$41,400 cash bonus due in Fiscal Year 2022 (April 2022 and June 2022 (for 10 month employees)) to the first full pay period after July 1, 2022. The parties have commenced negotiations for the successor agreement to the Fiscal Years 2020-2023 agreement.

The State has entered into a four-year contract for Fiscal Years 2020-2023 with the CWA representing four (4) units. The contract provides for across the board salary increases of approximately 8.0% as follows: 2% in Fiscal Year 2020 (effective the first full pay period after October 1, 2019), 2% in Fiscal Year 2021 (effective the first full pay period after July 1, 2020), 2% in Fiscal Year 2022 (effective the first full pay period after July 1, 2021) and 2.0% in Fiscal Year 2022 (effective the first full pay period after April 1, 2022). In June 2020, the parties entered into a memorandum of agreement to defer the 2% increase effective in Fiscal Year 2021 to the first full pay period after December 1, 2021 and the 2% increase due in Fiscal Year 2022 (April 2022 and June 2022 (for 10 month employees)) to the first full pay period after July 1, 2022. The parties have commenced negotiations for the successor agreement to the Fiscal Years 2020-2023 agreement.

The State has entered into a four-year contract for Fiscal Years 2020-2023 with AFSCME New Jersey Council 63. The contract provides for across the board salary increases of approximately 8.0% as follows: 2% in Fiscal Year 2020 (effective the first full pay period after October 1, 2019), 2% in Fiscal Year 2021 (effective the first full pay period after July 1, 2020), 2% in Fiscal Year 2022 (effective the first full pay period after July 1, 2021) and 2.0% in Fiscal Year 2022 (effective the first full pay period after April 1, 2022). Any full-time employee on the active payroll with an annual base salary under \$39,900 shall receive a cash bonus, not included in base salary, equal to the difference between the across the board increase on an annual salary of \$39,900 and the across the board increase of that employee's base salary. In June 2021, the parties entered into a memorandum of agreement to defer the 2% increase and the employees making under \$39,900 cash bonus payment due in Fiscal Year 2021 to the first full pay period after December 1, 2021 and the 2% increase and the employees making under \$39,900 cash bonus due in Fiscal Year 2022 (April 2022 and June 2022 (for 10 month employees)) to the first full pay period after July 1, 2022. The parties have commenced negotiations for the successor agreement to the Fiscal Years 2020-2023 agreement.

The State has entered into a four-year contract for Fiscal Years 2020-2023 with the IBEW, Local 33, Deputy Attorneys General (DAsG) unit. The contract provides for an upward adjustment of the salary schedules, with DAsG placed on the appropriate step prior to the across the board increases. The contract provides for across the board salary increases of 8% as follows: 2% in Fiscal Year 2020 (effective February 1, 2020), 2% in Fiscal Year 2021 (effective the first full pay period after July 1, 2020), 4% in Fiscal Year 2022 (2% effective the first full pay period after July 1, 2022 and 2% effective the first full pay period after January 1, 2022). The contract provides for a salary cap of \$145,000. In January 2021, the parties entered into a memorandum of agreement to defer the 2% increase effective in Fiscal Year 2021 to the first full pay period after December 1, 2021 and the 2% increase due in Fiscal Year 2022 (first full pay period after January 1, 2022) to the first full pay period after May 1, 2022. The parties have commenced negotiations for the successor agreement to the Fiscal Years 2020-2023 agreement.

The State has entered into a four-year contract for Fiscal Years 2020-2023 with the IBEW, Local 30, State Government Managers' Unit (SGM Unit). The contract provides for an upward adjustment of the salary schedules, with unit members placed on the appropriate step prior to the FY 2021 across the board increases. The contract provides for across the board salary increases of 8% as follows: 2% in Fiscal Year 2020 (effective the first full pay period after October 1, 2019), 2% in Fiscal Year 2021 (effective the first full pay period after July 1, 2020), 4% in Fiscal Year 2022 (2% effective the first full pay period after July 1, 2021 and 2% effective the first full pay period after April 1, 2022). The contract provides for a salary cap of \$150,000. In June 2021, the parties entered into a memorandum of agreement to defer the 2% increase effective in Fiscal Year 2021 (July 2020) to the first full pay period after September 1, 2021, the 2% increase due in Fiscal Year 2022 (July 2021) to the first full pay period after January 1, 2022 and the 2% increase effective Fiscal Year 2022 (April 2022) to the first full pay period after July 1, 2022. The parties have commenced negotiations for the successor agreement to the Fiscal Years 2020-2023 agreement.

The State entered into a four-year contract for Fiscal Years 2020-2023 with the Policemen's Benevolent Association Local 105 ("PBA 105"). The contract provides for across the board salary increases of approximately 8.0% as follows: 2% in Fiscal Year 2020 (effective the first full pay period after October 1, 2019), 4% in Fiscal Year 2022 (2% effective the first full pay period after July 1, 2021 and 2% effective the first full pay period after December 1, 2021), and 2% in Fiscal Year 2023 (effective the first full pay period after July 1, 2022). The parties have commenced negotiations for the successor agreement to the Fiscal Years 2020-2023 agreement.

The State entered into a four-year contract for Fiscal Years 2016-2019 with the New Jersey Investigators Association, State Fraternal Order of Police Lodge 174 ("NJIA" or "FOP Lodge 174"). The contract expired and

negotiations have commenced for a successor agreement. The parties did not reach a mutual agreement. The parties are now in Interest Arbitration for a contract that would commence in Fiscal Year 2020.

The State entered into a four-year contract for Fiscal Years 2016-2019 with the New Jersey Policemen's Benevolent Association State Law Enforcement Unit ("SLEU"). The contract has expired and negotiations are ongoing for a successor agreement. The parties did not reach a mutual agreement. The parties are now in Interest Arbitration for a contract that would commence in Fiscal Year 2020.

The State entered into a four-year contract for Fiscal Years 2020-2023 with the New Jersey Law Enforcement Supervisors Association ("NJLESA"). The contract provides for across the board salary increases of approximately 8.0% as follows: 2% in Fiscal Year 2020 (effective the first full pay period after October 1, 2019), 4% in Fiscal Year 2022 (2% effective the first full pay period after July 1, 2021 and 2% effective the first full pay period after December 1, 2021), and 2% in Fiscal Year 2023 (effective the first full pay period after July 1, 2022). The parties have commenced negotiations for the successor agreement to the Fiscal Years 2020-2023 agreement.

The State entered into a four-year contract for Fiscal Years 2020-2023 with the New Jersey Superior Officers Law Enforcement Association ("NJSOLEA"), which was resolved through binding arbitration. The binding interest arbitration decision of the hearing officer was issued on April 17, 2022 and affirmed by the Public Employment Relations Commission on June 30, 2022. The award provided for across the board salary increase for the successor agreement as follows: 2% in Fiscal Year 2020 (effective the first full pay period after October 1, 2019), 5% in Fiscal Year 2022 (2% effective the first full pay period after July 1, 2021 and 3% effective the first full pay period after December 1, 2021), and 3% in Fiscal Year 2023 (effective the first full pay period after July 1, 2022). The parties have commenced negotiations for the successor agreement to the Fiscal Years 2020-2023 agreement.

The State entered into a four-year contract for Fiscal Years 2020-2023 with the New Jersey Law Enforcement Commanding Officers Association ("NJLECOA"). The contract provides for across the board salary increases of approximately 8.0% as follows: 2% in Fiscal Year 2020 (effective the first full pay period after October 1, 2019), 4% in Fiscal Year 2022 (2% effective the first full pay period after July 1, 2021 and 2% effective the first full pay period after December 1, 2021), and 2% in Fiscal Year 2023 (effective the first full pay period after July 1, 2022). In addition to the across-the-board increases, the Chief, Bureau Law Enforcement, DEP, Assistant Chief, JJC, and Deputy Chief Investigator, DOC will receive salary adjustments. The parties have commenced negotiations for the successor agreement to the Fiscal Years 2020-2023 agreement.

The State entered into a four-year contract for Fiscal Years 2020-2023 with the Policemen's Benevolent Association, Local 383 ("PBA 383") formerly, FOP Lodge 91. The contract provides for the following across the board salary increases: 2% in Fiscal Year 2020 (effective the first full pay period after October 1, 2019), 4% in Fiscal Year 2022 (2% effective the first full pay period after July 1, 2021 and 2% effective the first full pay period after December 1, 2021), an additional 15% in Fiscal Year 2022 (effective the first full pay period after January 1, 2022), and 2% in Fiscal Year 2023 (effective the first full pay period after July 1, 2022). The parties have commenced negotiations for the successor agreement to the Fiscal Years 2020-2023 agreement.

The State has entered into a four-year contract for Fiscal Years 2022-2025 with the State Troopers Non-Commissioned Officers Association ("STNCOA-Sergeants"), which was resolved through binding arbitration. The arbitration award was issued on September 16, 2022 and provides for across the board salary increases as follows: 4% in Fiscal Year 2022 (2% effective the first full pay period after July 1, 2021 and 2% effective the first full pay period after April 1, 2022), 2.75% in Fiscal Year 2024 (effective the first full pay period after July 1, 2023) and 2.75% in Fiscal Year 2025 (effective the first full pay period after July 1, 2024). Maintenance allowance increases in each year of the contract effective the first full pay period after the following dates: July 1, 2021 \$16,565.67, January 1, 2022 \$17,315.67, April 1, 2022, \$17,661.98, January 1, 2023 \$18, 411.98, July 1, 2023 2.75% increase and July 1, 2024 2.75% increase.

The State has entered into a four-year contract for Fiscal Years 2022-2025 with the State Troopers Superior Officers Association ("STSOA-Lieutenants and Captains"), which was resolved through binding arbitration. The arbitrations award was issued on September 16, 2022 and provides for across the board salary increases as follows: 4% in Fiscal Year 2022 (2% effective the first full pay period after July 1, 2021 and 2% effective the first full pay period after April 1, 2022), 2.75% in Fiscal Year 2024 (effective the first full pay period after July 1, 2023) and 2.75%

in Fiscal Year 2025 (effective the first full pay period after July 1, 2024). Effective the first full pay period after July 1, 2024, a 6% differential will be maintained between the ranks of State Police Captain and Lieutenant. The 6% differential is predicated upon the Lieutenants highest base salary. Maintenance allowance increases in each year of the contract effective the first full pay period after the following dates: July 1, 2021 \$16,565.67, January 1, 2022 \$17,315.67, April 1, 2022, \$17,661.98, January 1, 2023 \$18, 411.98, July1, 2023 2.75% increase and July 1, 2024 2.75% increase.

The State has entered into a four-year contract for Fiscal Year 2020-2023 with the State Troopers Fraternal Associations (“STFA-Troopers”) The contract provides for across the board salary increases of 8% as follows: 2% in Fiscal Year 2020 (effective the first full pay period after October 1, 2019), 2% in Fiscal Year 2021 (effective the first full pay period after July 1, 2020), 4% in Fiscal Year 2022 (2% effective the first full pay period after July 1, 2021 and 2% effective the first full pay period after April 1, 2022). Maintenance allowance increased in each year of the contract: \$14,942.01 in Fiscal Year 2020, \$16,240.85 in Fiscal Year 2021, \$17,661.98 in Fiscal Year 2022 and \$18,411.98 in Fiscal Year 2023. The parties have commenced negotiations for the successor agreement to the Fiscal Years 2020-2023 agreement.

In March 2022, the State entered into a four-year contract for Fiscal Years 2020-2023 with the Division of Criminal Justice Non-Commissioned Officer Assoc., Sergeant, State Investigator Unit, Dept. of Law & Public Safety, PBA 383 A. The contract provides for the following across the board salary increases: 2% in Fiscal Year 2020 (effective the first full pay period after October 1, 2019); 4% in Fiscal Year 2022 (2% effective the first full pay period after July 1, 2021 and 2% effective the first full pay period after December 1, 2021); an additional 15% in Fiscal Year 2022 (effective the first full pay period after January 1, 2022); and 2% in Fiscal Year 2023 (effective the first full pay period after July 1, 2022). The parties have commenced negotiations for the successor agreement to the Fiscal Years 2020-2023 agreement.

In March 2022, the State entered into a four-year contract for Fiscal Years 2020-2023 with the Division of Criminal Justice Superior Officers Assoc., Lieutenant, State Investigator Unit, Dept. of Law & Public Safety, PBA 383 B. The contract provides for the following across the board salary increases: 2% in Fiscal Year 2020 (effective the first full pay period after October 1, 2019); 4% in Fiscal Year 2022 (2% effective the first full pay period after July 1, 2021 and 2% effective the first full pay period after December 1, 2021); an additional 15% in Fiscal Year 2022 (effective the first full pay period after January 1, 2022; and 2% in Fiscal Year 2023 (effective the first full pay period after July 1, 2022). The parties have commenced negotiations for the successor agreement to the Fiscal Years 2020-2023 agreement.

STATE FUNDING OF PENSION PLANS

Background

The State sponsors and operates seven defined benefit pension plans (the “Pension Plans”), which fund retirement benefits for almost all of the public employees of the State. The Pension Plans will fund those retirement benefits from their assets, earnings on their assets, contributions by the State and contributions from Pension Plan members. Local governments within the State participate as employers sponsoring two of the Pension Plans. 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. The following description of the State’s funding of the Pension Plans solely relates to the State’s portion of the Pension Plans. The State makes contributions to the Pension Plans under the State statutes and such contributions are subject to the appropriation by the State Legislature and actions by the Governor.

Overview of the Financial Condition of the Pension Plans

As a result of lower-than-recommended contributions by the State to the Pension Plans for an extended period, lower than assumed investment returns on an actuarial basis, benefit enhancements enacted during the late 1990s and early 2000s, and reductions in member contributions, the Pension Plans’ aggregate funded ratio (which compares the value of Pension Plan assets to the present value of future benefit payments) deteriorated and, as of June 30, 2016, before giving effect to the State’s contribution of its Lottery Enterprise and other actions, was 44.7%. Since

2016, the State has taken the following steps to strengthen the financial condition of the Pension Plans (among other actions taken by the State):

- The State followed a funding policy for the pension plans since 2016 that has resulted in fully funding the actuarially recommended contribution since Fiscal Year 2022;
- The State Legislature adopted the Pension Contribution Act in 2016, under which the State is required to make its contributions to the Pension Plans quarterly instead, as the practice before then had been, at the end of a Fiscal Year; and
- Under the LECA, the State contributed its Lottery Enterprise (which is defined and explained below) to the Pension Plans as of June 30, 2017.

In Fiscal Year 2022, the State contributed \$6.908 billion (including Lottery Net Proceeds) or 108% of the actuarially recommended contribution and, in Fiscal Year 2023, the State has appropriated pension contributions, that when combined with projected Lottery Net Proceeds, will total approximately \$6.822 billion, or 103.6% of the actuarially recommended contribution. The Governor's Fiscal Year 2024 Budget Message recommends appropriations for contributions to the Pensions Plans of approximately \$5.971 billion, that when combined with projected Lottery Net Proceeds of \$1.116 billion, represents Pension Plan contributions equaling 103.6% of the actuarially recommended contribution. Fiscal Year 2024 contributions will total \$7.087 billion which in future Fiscal Years are expected to remain relatively stable.

While the State projects that its annual contributions will increase at a much slower rate than when the State was ramping up to full actuarially recommended contributions, the Pension Plans still face potential risks and uncertainties from State and national economic conditions. Outcomes that differ from assumed investment returns, lottery net proceeds, employer contributions, as well as changes in valuation assumptions and methodologies could impact the financial condition of the Pension Plans. The information presented in this Appendix I reflects reasonable expectations of trends over the next thirty years. Uncertain economic conditions and other factors beyond the control of the State may result in a future change in the assumptions used to generate forward-looking estimates that could ultimately affect the level of State contributions.

Prospective Financial Information of Pension Plans

The following sets forth a projection of the financial condition of the Pension Plans, contributions from the State, contributions from members of the Pension Plans, and other related information. The following information constitutes forward-looking information and does not represent a prediction of actual results. It is based on numerous assumptions and methodologies reflected in actuarial valuations as of June 30, 2022 and actual results will likely differ. Investors should read carefully all of the footnotes to the following table and the related cross-references to understand the assumptions and methodologies upon which the following information is based.

The following table is based on the actuarial valuations for the Pension Plans as of June 30, 2022.

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**AGGREGATE PROJECTED ANNUAL CASH FLOWS AND
NET VALUE OF ASSETS OF STATE'S PORTION OF PENSION PLANS**
Fiscal Year Ending June 30, 2024 through June 30, 2053
(In Millions)

Fiscal Year Ending (June 30)	Beginning Value of Net Assets⁽¹⁾	Member Contributions⁽²⁾	State Contributions⁽³⁾⁽⁴⁾	Lottery Net Proceeds⁽⁵⁾	Investment Earnings⁽⁶⁾	Benefit Payments⁽⁷⁾	Ending Value of Net Assets
2024	\$ 37,843	\$1,376	\$5,677	\$1,116	\$2,613	\$7,785	\$40,840
2025	40,840	1,409	5,761	1,126	2,821	7,964	43,993
2026	43,993	1,443	5,834	1,135	3,038	8,148	47,295
2027	47,295	1,476	5,899	1,147	3,266	8,346	50,737
2028	50,737	1,510	5,951	1,157	3,503	8,549	54,309
2029	54,309	1,545	5,996	1,168	3,749	8,752	58,014
2030	58,014	1,579	6,034	1,190	4,004	8,962	61,860
2031	61,860	1,614	6,056	1,202	4,267	9,185	65,814
2032	65,814	1,650	6,049	1,214	4,538	9,409	69,857
2033	69,857	1,687	6,041	1,226	4,815	9,632	73,994
2034	73,994	1,724	6,031	1,238	5,098	9,860	78,226
2035	78,226	1,762	6,015	1,251	5,388	10,087	82,554
2036	82,554	1,803	6,000	1,263	5,685	10,302	87,003
2037	87,003	1,845	5,987	1,276	5,991	10,506	91,595
2038	91,595	1,888	5,976	1,289	6,307	10,703	96,353
2039	96,353	1,934	5,967	1,302	6,635	10,889	101,303
2040	101,303	1,981	5,960	1,315	6,978	11,060	106,476
2041	106,476	2,031	5,957	1,328	7,337	11,213	111,916
2042	111,916	2,082	5,960	1,341	7,715	11,354	117,660
2043	117,660	2,134	5,967	1,355	8,115	11,495	123,736
2044	123,736	2,187	5,976	1,368	8,537	11,648	130,157
2045	130,157	2,240	5,985	1,382	8,984	11,808	136,941
2046	136,941	2,295	5,995	1,396	9,456	11,970	144,112
2047	144,112	2,352	6,007	1,410	9,955	12,140	151,696
2048	151,696	2,411	6,891	-	10,456	12,314	159,140
2049	159,140	2,472	6,909	-	10,973	12,449	166,996
2050	166,996	2,536	6,064	-	11,497	12,691	174,401
2051	174,401	2,602	3,004	-	11,932	12,879	179,060
2052	179,060	2,672	1,798	-	12,222	13,070	182,681
2053	182,681	2,743	1,774	-	12,471	13,278	186,390

- (1) Beginning value of net assets represents the projected value of the State's portion of Pension Plan net assets at the beginning of each Fiscal Year. Net assets equal the full market value of assets at the beginning of the Fiscal Year *less* member and employer contribution receivables included in the full market value of assets. The beginning value of net assets for Fiscal Year 2024 reflects a (7.90)% rate of return for the Pension Plans in Fiscal Year 2022. It also includes preliminary unaudited Lottery Net Proceeds of \$1.103 billion for Fiscal Year 2023. The net value of assets for future Fiscal Years assume that the other contributions are made, investment returns are earned, and benefits are paid as shown above.
- (2) Represents contributions from members of the State's portion of the Pension Plans at current statutory contribution rates. Under the State statute, State employees make contributions to the Pension Plans ranging from 7.5% to 12% of their salary. The level of these contributions in the future could be changed through subsequent legislation.
- (3) Represents projected contributions by the State. For Fiscal Year 2023, the contribution reflects the State's contribution set forth in the State's Fiscal Year 2023 Appropriations Act. For future Fiscal Years, the State assumes that its pension contributions will equal 100% of the actuarially recommended contribution. The projected State contribution amounts reflect the annual credit against the actuarially recommended contribution pursuant to LECA.
- (4) Does not include \$294 million in contributions that the State makes in respect to local governmental participation in the Pension Plans. In connection with increases in retirement benefits in the local governmental portion of the Pension Plans, the State has undertaken to make contributions to pay for a portion of the impact of those retirement benefits.

(footnotes continue on next page)

- (5) Lottery Net Proceeds represent projected net proceeds from the Lottery Enterprise. See “—Lottery Enterprise Contribution Act” below. Through 2029, these projections are consistent with the Division’s management services agreement for sales and marketing with Northstar NJ. Pursuant to LECA, the State is required to revalue the Lottery Enterprise every five years. The revaluation was completed as of December 31, 2021. See “Lottery Enterprise Contribution Act—Lottery Enterprise – Valuation” below.
- (6) The projection of investment earnings is based on an assumed rate of return of 7.0% for assets of the State’s portion of the Pension Plans. See “—Actuarial Valuations and Actuarial Funded Status of Pension Plans—Assumptions used in Actuarial Valuations” below.
- (7) Benefit payments represent projected retirement benefit payments by the State’s portion of the Pension Plans to current and future retired members over the forecasted period. The amounts of projected retirement benefits are based on the various applicable benefit formulas as well as numerous assumptions and methodologies made by the actuaries of the Pension Plans. Key assumptions include, among others, demographic assumptions relating to periods of employment, ages of retirement and life expectancy of members and economic assumptions such as salary growth and inflation. In addition, these projections use methodologies to calculate projected retirement benefits. As opposed to how the actuaries prepare the actuarial valuations, the projected benefit payments also include an estimate of the amount of retirement benefits that members are likely to earn in the future. In addition, the projected benefit payments assume that the State does not increase or enhance retirement benefits during the forecasted period. Under pension reforms, the State has created committees that are authorized to make some specified increases in retirement benefits for Pension Plans that achieve specified levels of funding status. The projected benefit payments assume that none of those retirement benefits are increased although the State, based on the assumptions of the projections above, expects that several of the Pension Plans will achieve the specified levels of funding status. With respect to PFRS, the projection also assumes that the PFRSNJ Board that was established pursuant to *L. 2018, c. 55*, will not increase or enhance benefits during the forecasted period. See “—Actuarial Valuations and Actuarial Funded Status of Pension Plans—Assumptions used in Actuarial Valuations” and “—Methodologies used in Actuarial Valuations” below.

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State's Pension Plan Funding Policy

Historical Funding Policy

The level of the State's annual contributions has significantly varied since the 1990's. In some years, the State's contributions to the Pension Plans have been minimal or none. In other years, the State has contributed a percentage of the actuarially recommended contribution. For a description of the calculation of actuarially recommended contributions, see "—Actuarial Valuations and Actuarial Funded Status of Pension Plans" below. The following sets forth the State's aggregate annual contributions to the Pension Plans for Fiscal Years ended June 30, 1997 through June 30, 2024, together with a comparison of those contributions to the actuarially recommended contributions. Since Fiscal Year 2018, the State calculates the percentage of its contribution relative to the actuarial recommended contribution for a Fiscal Year by adding the annual contribution set forth in the Appropriations Act together with the projected Lottery Net Proceeds for that Fiscal Year, and then dividing that sum by the actuarially recommended contribution for the Pension Plans for that Fiscal Year. Under LECA, the State appropriates a contribution to the Pension Plans for each Fiscal Year equal to the actuarially recommended contribution less a Special Asset Adjustment calculated by LECA. Starting with Fiscal Year 2023, the amount of the Special Asset Adjustment is intended to be less than the projected Lottery Net Proceeds for each Fiscal Year, which the State expects will cause contributions for future Fiscal Years to exceed 100% of the actuarially recommended contribution.

AGGREGATE STATE CONTRIBUTIONS TO PENSION PLANS For the Fiscal Years Ending June 30, 1997 through June 30, 2024⁽¹⁾ (In Millions)

<u>Fiscal Year Ending June 30,</u>	<u>Actuarial Recommended Contributions</u>	<u>Actual Contributions</u>	<u>Percentage⁽²⁾</u>
State			
1997 ⁽³⁾	\$ 297.6	\$ 104.6	35%
1998.....	443.9	90.2	20
1999.....	511.4	284.2	56
2000.....	583.4	63.7	11
2001.....	629.6	0.0	0
2002.....	654.8	0.6	0
2003.....	663.0	10.4	2
2004.....	783.2	26.4	3
2005.....	1,066.2	61.1	6
2006.....	1,450.8	164.4	11
2007.....	1,778.6	1,023.2	58
2008.....	2,089.8	1,046.1	50
2009.....	2,230.7	106.3	5
2010.....	2,518.8	0.0	0
2011.....	3,060.5	0.0	0
2012.....	3,391.4	484.5	14
2013.....	3,600.2	1,029.3	29
2014.....	3,691.2	699.4	19
2015.....	3,935.4	892.6	23
2016.....	4,353.5	1,307.1	30
2017.....	4,663.1	1,861.6	40
2018 ⁽⁴⁾	5,017.9	2,484.1	50 ⁽⁵⁾
2019.....	5,352.2	3,280.9	60 ⁽⁶⁾
2020.....	5,438.7	3,751.6	70 ⁽⁷⁾
2021.....	6,109.7	4,787.4	78 ⁽⁸⁾
2022.....	6,387.8	6,908.0	108 ⁽⁹⁾
2023.....	6,586.4	6,822.3	104 ⁽¹⁰⁾
2024.....	6,842.6	7,086.6	104 ⁽¹¹⁾

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, 1995 through July 1, 2021. Information regarding the actual contributions of the State for Fiscal Years 1997 through 2024 was provided by the Division of

Pensions and Benefits. Actual contributions include Lottery Net Proceeds from the Lottery Enterprise beginning in Fiscal Year 2018. See “–Lottery Enterprise Contribution Act” below.

- (1) For all Pension Plans, the State 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’s actuarial recommended contribution for Fiscal Year 2024 was determined in the actuarial valuation as of July 1, 2022.
- (2) Percentage of actual contributions by the State to the Pension Plans to the actuarially recommended contribution for the applicable Fiscal Year. Percentages may not be exact due to rounding.
- (3) As a result of the enactment of L. 1997, c. 114, the Pension Plans received a contribution of \$2.75 billion from the sale of pension obligation bonds by NJEDA, which, pursuant to statute, was applied toward the State’s share of the unfunded pension liabilities.
- (4) The actual contribution consists of the State’s contribution of \$1.508 billion and Lottery Net Proceeds of \$976 million.
- (5) The State planned to make a \$2.509 billion pension contribution for Fiscal Year 2018 representing 50% of the full actuarial recommended contribution of \$5.018 billion. The State made a \$1.508 billion general fund appropriation and \$1.001 billion of Lottery Net Proceeds were expected to be transferred to the eligible Pension Plans. While actual lottery proceeds matched targeted levels, a small percentage of the actual Lottery Net Proceeds in Fiscal Year 2018 pertained to prior year unclaimed prizes. Since these proceeds were earned prior to the enactment of LECA, the State determined that the eligible Pension Plans were not entitled to such proceeds, which lowered the actual Lottery Net Proceeds realized to \$976 million. As a result of this technical adjustment, the State’s total contribution to the Pension Plans for Fiscal Year 2018 was slightly less than the 50% planned contribution.
- (6) For purposes of calculating the percentage of the State’s contribution relative to the actuarially recommended contribution, the State adds the sum of the State’s contribution of \$2.176 billion and the Lottery Net Proceeds of \$1.105 billion. As a result of higher than expected Lottery Net Proceeds in Fiscal Year 2019, the overall funded percentage was slightly greater than 60%.
- (7) For Fiscal Year 2020, Lottery Net Proceeds were \$55 million lower than the Special Asset Adjustment amount set in LECA for Fiscal Year 2020 due to lower sales from multistate jackpot games and, to a much lesser extent, the pandemic. As a result, the overall funded percentage was slightly lower than 70%.
- (8) For Fiscal Year 2021, the State expects the overall funded percentage to be slightly above 78%.
- (9) For Fiscal Year 2022, the State made a contribution of \$5.797 billion. After taking into account the Lottery Net Proceeds contribution, the overall percentage of the actuarially recommended contribution was 108%.
- (10) For Fiscal Year 2023, the State has appropriated \$5.719 billion for pension contributions. After taking into account projected Lottery Net Proceeds of \$1.103 billion, the State expects that the overall percentage of the actuarially recommended contribution will be 103.5%.
- (11) For Fiscal Year 2024, the Governor’s Fiscal Year 2024 Budget Message recommends appropriations of approximately \$5.971 billion for pension contributions. This amount includes State contributions of \$294 million for certain local government participants in the Pension Plans. After taking into account projected Lottery Net Proceeds of \$1.116 billion, the State expects that the overall percentage of the actuarially recommended contribution will be 103.6% of the actuarially recommend contribution.

Membership, Benefits and Governance of the Pension Plans

Membership of Pension Plans

Almost all of the public employees of the State and its counties, municipalities and political subdivisions are members of the Pension Plans administered by the State. Listed in order of active membership based on the most recent actuarial valuation reports dated July 1, 2022, the Pension Plans and their active and retired membership are as follows:

Plan	Membership at June 30, 2022	
	Active	Retired
Public Employees’ Retirement System (“PERS”).....	247,019	190,132
Teachers’ Pension and Annuity Fund (“TPAF”).....	160,091	112,403
Police and Firemen’s Retirement System (“PFRS”)	42,875	51,765
State Police Retirement System (“SPRS”)	3,232	3,880
Judicial Retirement System (“JRS”)	396	747
Consolidated Police and Firemen’s Pension Fund (“CP&FPF”).....		23
Prison Officers’ Pension Fund (“POPF”).....		38
Total	453,613	358,988

From June 30, 2021 to June 30, 2022, the total number of active members of all of the State-administered plans decreased by 6,916, or 0.72%, and the total number of retired members increased by 7,132, or 2.0%.

Local Government Pension Plans

The State is not the only employer sponsoring PERS and PFRS. Local governments within the State also participate as employers. In both PERS and PFRS, contributions from State and local governments are invested together and generate one investment rate of return. In calculating actuarial liabilities, both PERS and PFRS break out the liabilities between active and retired members as well as between State and local government members. As of June 30, 2022, the State was responsible for the employer contributions for 74,154 active and 62,989 retired PERS members and 6,471 active and 7,371 retired PFRS members.

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. The level of retirement benefits varies among the different Pension Plans and is calculated based on a member's years of service, compensation and age of retirement. 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. The State Legislature has in the past adopted laws that increased the retirement benefits payable by the Pension Plans and may do so again in the future.

Governance

The Pension Plans were established by various State laws between January 1, 1941 and June 1, 1973. These Pension Plans are overseen and administered by the State of New Jersey, Division of Pensions of Benefits within the Department of the Treasury. Each Pension Plan has a board of trustees and related committees in which is vested the general responsibility for the proper operation of the Pension Plan. The Division of Pensions and Benefits is responsible for all administrative and financial functions of the Pension Plans except for the investment of the pension assets, which is the responsibility of the Division of Investment. The rules and regulations governing the operation and administration of the Pension Plans are set forth in State law and regulations.

With respect to PFRS, the State Legislature adopted *L. 2018, c. 55* in July 2018, which transferred management of PFRS from the New Jersey Department of the Treasury, Division of Pensions and Benefits to a twelve-member PFRS Board of Trustees (the "PFRSNJ"). The PFRSNJ, which was established in February 2019 pursuant to the legislation, has more powers and authority as compared to the former PFRS Board of Trustees. In addition to overseeing the management of PFRS, the PFRSNJ Board will have certain investment authority, in addition to having the authority to adjust current benefit levels and to change member and employer contribution rates. With regard to changes to current benefit provisions, such changes can only be made with the approval of a supermajority of eight (8) of the twelve (12) members of the PFRSNJ Board. In addition, benefit enhancements can only be made if an independent actuary certifies that such benefit enhancement will not jeopardize the long-term viability of PFRS. Under prior law, benefit enhancements, including the reinstatement of cost-of-living adjustments for retirees, could only be considered when the funded level of the pension fund reached 80%. An actuarial certification was also required that the funded levels would remain at or above 80% over a 30-year period following the benefit enhancement.

The PFRSNJ consists of twelve (12) members with seven (7) employee representatives (including three (3) active policemen, three (3) active firemen, and one (1) retiree), and five (5) employer representatives (four (4) municipal or county government officials and one current or former member of the Executive Branch).

Pension Plan Assets

As of June 30, 2022, the State's portion of the market value of assets in the Pension Plans is \$41.4 billion, which amount does not include the value of the Lottery Contribution. See "*—Lottery Enterprise Contribution Act*" below. The Division of Investment of the New Jersey Department of the Treasury invests the cash and investments of the Pension Plans. State law and State Investment Council regulations regulate the types of investments that are permitted. The State Investment Council is responsible for formulating the policies that govern the methods, practices

and procedures for investments, reinvestments, sale or exchange transactions to be followed by the Director of the Division of Investment. However, pursuant to *L. 2018, c. 55*, responsibility for formulating investment policies of the assets of the PFRS has been transferred from the State Investment Council to the PFRSNJ Board.

Lottery Enterprise Contribution Act

In accordance with the Lottery Enterprise Contribution Act, *L. 2017, c. 98* (“LECA”), and a Memorandum of Lottery Contribution dated July 5, 2017 and effective as of June 30, 2017 (the “MOLC”), executed by the State Treasurer and acknowledged by the Director of the Division of Investment, New Jersey Department of the Treasury, the State’s lottery and related assets, including intellectual property, (the “Lottery Enterprise”) was contributed to TPAF, PERS, and PFRS for a 30-year term (the “Lottery Contribution”). Under LECA, the Department of the Treasury, Division of the State Lottery (“State Lottery Division”) will continue to operate the Lottery Enterprise with a goal of maximizing net proceeds for the benefit of the applicable Pension Plans. Starting on October 1, 2013, Northstar New Jersey Lottery Group, LLC (“Northstar NJ”) officially began a 15-year contract to provide growth management services to the State Lottery Division. The Northstar NJ contract, as amended, which will remain in effect through the end of Fiscal Year 2029, contains incentives for the vendor to maximize net proceeds while reducing downside risk through minimum payment requirements imposed on the vendor.

Neither LECA nor the MOLC contain a provision permitting the termination of the contribution prior to the end of the 30-year term of the contribution. However, a future Legislature could pass legislation to reverse the contribution prior to the expiration of its term. Any termination of the Lottery Contribution could implicate the exclusive benefit rule of the Internal Revenue Code, which requires the assets of the Pension Plans to exist for the exclusive benefit of their members in order for the Pension Plans to qualify for the favorable tax treatment under the Internal Revenue Code. The term of the contribution of the Lottery Enterprise will expire at the start of Fiscal Year 2048. At that time, the Lottery Enterprise contributions will revert back to the State.

Lottery Enterprise – Valuation

To determine the value of the Lottery Enterprise contribution, Acacia Financial Group was hired as the independent valuation service provider. In calculating the fair value, Acacia applied Actuarial Standard of Practice (“ASOP-44”) of the Actuarial Standards Board. ASOP-44 provides that for assets like the Lottery Enterprise that have no comparable valuations and are difficult to value, the present value of reasonably expected future cash flows may operate as the market value. The independent valuation service provider calculated the fair present value using the financial projections provided by Northstar NJ, for Fiscal Years 2018 through 2029. Estimates for Fiscal Years 2030 through 2048 assumed a 1.0 percent annual growth rate.

The first five-year revaluation of the Lottery Enterprise was completed on December 31, 2021, by the Acacia Financial Group. This revaluation determined the fair market value of the Lottery Enterprise to be \$12.980 billion as of the December 31, 2021 valuation date.

Using this valuation methodology, the contribution of the Lottery Enterprise is expected to generate an estimated \$37 billion for the Pension Plans over the 30-year term of the Lottery Contribution. The independent valuation service provider applied a 7.65% discount factor, which was the same as the assumed actuarial rate of return on the Pension Plans at the time of valuation, to arrive at a fair market value for the Lottery Enterprise of \$13.535 billion as of June 30, 2017. Pursuant to LECA, the Lottery Enterprise is to be re-valued at least every five years and, in the absence of a revaluation, the Lottery Enterprise will be depreciated on a straight-line basis over the remaining term of the contribution based on the most recent valuation. At the end of the 30-year term of the contribution, the value of the Lottery Enterprise will have been depreciated to zero with respect to the Pension Plans. The valuation report of the independent valuation service provider and other documents relating to the Lottery Enterprise developed in 2017 are available at the following website: <http://www.state.nj.us/treasury/njletransparency.shtml>. No information on the website is incorporated by reference into this Appendix I.

Special Asset for Actuarial Calculation Purposes

During the term of the Lottery Contribution, the current methodology for amortizing the UAAL of the applicable Pension Plans and calculating the actuarially recommended contribution remains in place for all assets and liabilities of the applicable Pension Plans except for the Lottery Enterprise. In accordance with LECA, for actuarial purposes, the Lottery Enterprise is considered a “Special Asset”, the value of which is reflected in an annual adjustment (the “Special Asset Adjustment”) to the State’s contribution to the applicable Pension Plan, calculated pursuant to LECA. Under LECA, the Special Asset Adjustment was fixed for the first five Fiscal Years to minimize the impact of the Lottery Contribution on the State’s General Fund budget during that period.

Starting in Fiscal Year 2023, the Special Asset Adjustment is determined by a level-dollar amortization of the then-current Lottery Enterprise value over the remaining term of the contribution at the regular interest rate applicable to the applicable Pension Plan, multiplied by a stated Adjustment Percentage. The Special Asset Adjustment will not exceed in any year the Maximum Special Asset Adjustment stipulated in the LECA. The purpose of the Adjustment Percentage is to create a lower Special Asset Adjustment, which will increase projected amounts to be contributed to the applicable Pension Plans, and to achieve higher projected funded ratios, provided the State follows its current Pension Plan funding policy. Additionally, LECA includes a mechanism to further reduce the Adjustment Percentage if an applicable Pension Plan’s funded ratio drops below 50 percent. The Adjustment Percentage is unaffected by the performance of the Lottery Enterprise during the term of the Lottery Contribution. A future Legislature may change any or all of the provisions of the LECA for all, or some, of the term of the Lottery Contribution.

Impact of the Value of the Lottery Enterprise Contributed upon the Pension Plans’ Funded Ratio

Acacia Financial Group valued the Lottery Enterprise at \$12.980 billion as of December 31, 2021. As of July 1, 2021, the Lottery Enterprise was valued at \$12.577 billion. If the value of the Lottery Enterprise was excluded, the funded ratio of the Pension Plans as of June 30, 2022 would have been 40.0% instead of 51.1%. See “—Actuarial Valuations and Actuarial Funded Status of Pension Plans—Historical Statutory Funding Status” below.

Actuarial Valuations and Actuarial Funded Status of Pension Plans

General

State law requires that all Pension Plans must conduct an actuarial valuation as of the end of each fiscal year. The actuarial valuations of the Pension Plans have historically served a critical role in determining appropriate State contributions to the Pension Plans by systematically calculating an actuarially recommended contribution (discussed below). During many of the years when the State did not make the full actuarially recommended contribution, it still contributed a portion of the actuarially recommended contribution. The State’s current pension funding policy provides that the combined contribution appropriated from the State budget and LECA net lottery proceeds fully fund the actuarially recommended contribution. Informational copies of these reports as well as other financial information are available on the Division of Pensions and Benefits’ website at: <https://www.nj.gov/treasury/pensions/financial-reports.shtml>. No information contained on the website of the Division of Pensions and Benefits is incorporated herein by reference.

Pension Plan actuarial valuations are completed approximately six to eight months after the end of a fiscal year. Consequently, actuarial valuations and recommended contributions for the various Pension Plans do not apply to the fiscal year immediately following the actuarial valuations. Rather, they apply to the second fiscal year following the valuation. For example, the actuarially recommended contributions and valuations as of July 1, 2022 are applicable to the Fiscal Year ended June 30, 2024.

Actuaries and Auditor

Cheiron, Inc. serves as consulting actuary for six of the Pension Plans. Segal is the consulting actuary for PFRS. The consulting actuaries prepare the actuarial valuations and experience investigations (which are described

below) for the Pension Plans. KPMG LLP serves as the auditor of the financial statements of the Pension Plans, with PFRS contracting separately for their services.

Content and Timing of Actuarial Valuations

The purpose of an actuarial valuation is to calculate an actuarially recommended contribution by an independent actuary based on an assessment by such actuary, using multiple assumptions and methodologies, whether the assets of a Pension Plan, together with expected earnings and other amounts, will be sufficient to pay expected retirement benefits. Two key calculations the actuaries make in each actuarial valuation is a calculation of the actuarial accrued liability and the Actuarial Value of Assets (“AVA”). The actuarial accrued liability of a Pension Plan represents an estimate, on the basis of demographic and economic assumptions, of the present value of benefits the Pension Plan will pay to retirees over their lifetime. The AVA represents the market value of the assets of the Pension Plan as adjusted for several methods discussed below. 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”) applicable to the 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. A Funded Ratio of 100% represents an assessment by the actuary, based on the assumptions and methodologies of the actuarial valuation, that a Pension Plan has a sufficient amount of assets that, with future earnings on those assets and other amounts, will be sufficient to pay expected retirement benefits that have been earned to date.

Actuarially Recommended Contribution

Actuaries of the Pension Plans will also calculate an actuarially recommended contribution in each actuarial valuation. 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 the active members’ current year service, and (2) in cases where the Funded Ratio is less than 100%, a portion of the UAAL. The actuarially recommended contribution is determined in accordance with State statutes and uses different assumptions and methodologies than used for purposes of meeting financial disclosure requirements. See “—GASB Statements No. 67 and 68” below.

Assumptions used in Actuarial Valuations

While actuarial valuations express the funding status of a Pension Plan in terms of the value on a particular date, in reality they are projections of future retirement benefits and estimates of the amount of assets that will be available to pay those retirement benefits. To make these projections and estimates, actuaries use assumptions, including, but not limited to, the expected rate of return on assets, inflation rates, future pay increases, age of retirement of members, assumed rates of disability, and retiree and beneficiary life expectancies. The Pension Plan boards establish most of these assumptions. However, the State Treasurer establishes the expected rate of return. If the experience of the Pension Plans is different from these assumptions, the UAAL of the Pension Plans may increase or decrease to the extent of any variances.

State law requires that all Pension Plans conduct an actuarial experience study at least once every three years to examine the demographic and economic assumptions used in actuarial valuations to ensure those assumptions reflect actual Pension Plan experience. The experience study uses long-term assumptions, not solely influenced by short-term fluctuations. Whenever an experience study results in a change to an assumption, it could impact the Pension Plan’s UAAL or the statutory contribution calculation in subsequent actuarial valuations. In the most recent study covering the period from 2018 to 2021, the salary growth assumption, mortality and demographic assumptions changed. The primary driver of the liability increase noted in the experience studies was salary rate increases for active members of the TPAF. Prior assumptions assumed lower increases for Fiscal Year 2022 through Fiscal Year 2026. This assumption was changed to accelerate varying rates of increase by years of service starting from June 30, 2022, instead of June 30, 2026. These changes caused the TPAF UAAL to increase 0.5% by \$381 million and were reflected in the July 1, 2022 actuarial valuation. The Fiscal Year 2024 TPAF actuarially recommended contribution then rose 1.8% by \$71.8 million. Alternatively, the JRS system experienced a decrease of 1.2% or \$10.4 million to the UAAL due to retirement, disability and mortality rate assumptions. As a result, the contribution for JRS dropped by \$1.3 million or 1.8%. The PERS, PRFS and SPRS systems also experienced similar changes to the UAAL due to

assumption changes. As a consequence of the experience studies, the total system-wide net increase to the UAAL was 0.3% or \$368.2 million. Likewise, the total system-wide pension contribution rose by \$105.0 million.

The UAAL is partly impacted by the actual rate of return of Pension Plan assets as determined primarily by the performance of the investment portfolio. Actual investment returns for any given fiscal year can vary widely. Investment returns were (7.9)%, 28.63% and 1.21%, for Fiscal Years 2022, 2021 and 2020, respectively. On July 1, 2019, the State Treasurer lowered the assumed rate of return for valuation purposes from 7.5% to 7.3%. The 7.3% assumed rate of return was used by the actuary in the June 30, 2020 valuations. On June 30, 2021, the Treasurer ordered the assumed rate to be further lowered to 7%, effective with the June 30, 2021, actuarial valuation.

Methodologies used in Actuarial Valuations

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

Two different methods are used to measure pension assets: market value and the actuarial value of assets (“AVA”). The market value represents the value of assets if they were liquidated on the valuation date. However, State law requires an alternative measurement method (“AVA method”) to be used. The AVA method smooths investment gains and losses to reduce volatility by recognizing only 20% of the difference between market value of assets and the expected value of assets each year. The AVA method may produce an actuarial value of assets that falls outside of what is generally considered to be a reasonable range of the market value. As of June 30, 2021, excluding the estimated value of the Lottery Contribution, the State’s portion of the aggregate market value of all of the assets of the Pension Plans, as determined by the Pension Plans’ actuaries, was approximately \$44.4 billion. As of June 30, 2021, the State’s portion of the aggregate actuarial value of all assets of the Pension Plans was \$42.5 billion. Based on these figures, the Pension Plans have a net unsmoothed gain of approximately \$1.9 billion, which is the difference, as of June 30, 2021, between the market value of their assets and the actuarial value of the assets. This smoothing not only affects asset valuations, it also effects the UAAL, funded ratios and contributions, all numbers computed using the AVA. The Fiscal Year 2022 actual investment rate of return was (7.90)% compared to the Treasurer’s 7.3% assumed rate of return. Per statutory requirements, using the AVA method, 20% of the (7.90)% actual investment rate of return will be recognized gradually over five years.

The main purpose of the actuarial valuation is to develop a schedule for restoring the Pension Plans to a Funded Ratio of 100%. The amortization method requires the actuary to calculate that portion of the UAAL that the State needs to contribute each year in order to accomplish that goal. Actuaries use different methods to develop such a schedule. Excluding the CP&FPF and the POPF, the Pension Plans use the level-dollar amortization method. Previously, the State used the level percent of pay UAAL calculation method. Under the level-dollar amortization method, the actuary assumes the State will pay the same dollar amount to amortize the UAAL in each year of the amortization period. Pursuant to statute, the UAAL is being amortized over an open-ended 30-year period through the July 1, 2018 actuarial valuation for PERS, TPAF, SPRS and JRS, and through the July 1, 2017 actuarial valuation for PFRS. Beginning with the July 1, 2019 actuarial valuation for PERS, TPAF, SPRS and JRS, and the July 1, 2018 actuarial valuation for PFRS, the UAAL will be amortized over a closed 30-year period until the remaining period reaches 20 years, when the amortization period will revert to an open-ended 20-year period. An open amortization period means that the period over which the UAAL is amortized may reset to 20 years with each actuarial valuation if the UAAL increases, whereas, in a closed amortization period, the period is reduced with each actuarial valuation.

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Historical Statutory Funding Status

The following table sets forth the historical statutory funding status of the Pension Plans from the Fiscal Year ended June 30, 2010 through the Fiscal Year ended June 30, 2022.

HISTORICAL STATUTORY FUNDING STATUS
AGGREGATE PENSION FUND ACTUARIAL LIABILITIES AND ASSETS⁽¹⁾
Actuarial Valuations as of July 1, 2010 through July 1, 2022
(In Millions)

Valuation Year Ending June 30,	Actuarial Value of Assets ⁽²⁾	Actuarial Accrued Liability ⁽²⁾	Unfunded Actuarial Accrued Liability (UAAL) ⁽²⁾	Funded Ratio	Market Value of Assets ⁽³⁾
2010 ⁽⁴⁾	\$47,950.5	\$72,588.5	\$24,638.0	66.1%	\$37,765.8
2011	46,736.7	75,622.0	28,885.3	61.8	40,795.3
2012	45,293.4	77,991.1	32,697.7	58.1	38,271.3
2013	44,494.5	80,051.0	35,556.5	55.6	39,486.0
2014	42,486.4	82,563.3	40,076.9	51.5	40,594.3
2015	41,397.4	85,212.0	43,814.6	48.6	38,505.9
2016 ⁽⁵⁾	39,731.6	88,800.3	49,068.7	44.7	34,698.9
2016 Rev ⁽⁶⁾	52,304.8	88,800.3	36,495.5	58.9	47,272.1
2017	51,416.6	92,150.6	40,734.0	55.8	48,354.5
2018	51,018.0	93,807.5	42,789.5	54.4	48,762.3
2019 ⁽⁷⁾	51,090.4	100,789.0	49,698.6	50.7	48,743.9
2020	51,355.2	103,118.1	51,762.9	49.8	47,833.8
2021	55,105.5	108,679.7	53,574.2	50.7	56,987.0
2022	57,211.7	111,873.3	54,661.7	51.1	53,907.7

Source: New Jersey Department of the Treasury, Division of Pensions and Benefits. Information was derived from the actuarial valuation reports as of July 1, 2010 through July 1, 2022 for all the Pension Plans.

- (1) The actuarial liabilities and assets shown in this chart are based on the actuarial methods and assumptions used to determine the statutory contributions and are different from the actuarial liabilities and assets based on GASB Statement No. 67.
- (2) For a description of these terms, see “—Actuarial Valuations and Actuarial Funded Status of Pension Plans” above.
- (3) The market value of assets as shown in the actuarial valuation reports for the Pension Plan and included in the table differs from the value of the investment portfolio of the Pension Plans as reported by the Division of 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 Plan, including expected receivable contributions from the State, local employers and participants. It also includes the estimated value of the Lottery Contribution beginning with the July 1, 2016 valuation.
- (4) The June 30, 2010 data reflects the impact on the Pension Plans of pension reforms enacted pursuant to *L. 2011, c. 78*, which resulted in a decrease in the State’s aggregate UAAL from \$37.1 billion to \$24.6 billion and an increase in the State’s aggregate funded ratio from 56.4% to 66.1%.
- (5) Information was derived from the original actuarial valuation reports as of July 1, 2016 and excludes the value of the Lottery Contribution.
- (6) Information was modified to include \$12.573 billion in the Actuarial Value of Assets and Market Value of Assets representing the estimated value of the Lottery Contribution as of July 1, 2016. For the fiscal year ended as of June 30, 2016, this improved the overall funded ratio of the Pension Plans from 44.7% to 58.9% as compared to the original actuarial valuation reports as of July 1, 2016.
- (7) The reduction in the funded status between the June 30, 2018 and June 30, 2019 actuarial valuations is mainly attributable to the adoption of revised actuarial assumptions based on experience investigations conducted by the Pension Plans’ actuary in 2019, and a reduction in the assumed investment rate of return used in the actuarial valuations from 7.5% to 7.3%. The revised assumptions, which were adopted by the various Pension Boards in early 2020, caused actuarial accrued liabilities to increase by \$2.656 billion or 2.6% between the June 30, 2018 and June 30, 2019 actuarial valuations. The change in the assumed rate of return increased liabilities by \$2.098 billion or 2.1%.

Prospective Statutory Funding Status

The following table sets forth the prospective statutory funding status of the Pension Plans for the Fiscal Year ended June 30, 2023 through the Fiscal Year ended June 30, 2051. The following information constitutes forward-looking information and does not represent a prediction of actual results. The following information represents a

projection of the future funded status of the Pension Plans that is based on the assumptions and methodologies used by the actuaries to prepare the actuarial valuations for the Pension Plans and assumes that the State continues to make its contributions to the Pension Plan in accordance with its current funding policy. Accordingly, the following information is based on numerous assumptions and methodologies and actual results will likely differ. Investors should read carefully all of the footnotes to the following table and the related cross-references to understand the assumptions and methodologies upon which the following information is based.

The following table is based on the actuarial valuations as of June 30, 2022.

PROSPECTIVE STATUTORY FUNDING STATUS
AGGREGATE PENSION FUND ACTUARIAL LIABILITIES AND ASSETS⁽¹⁾
For the Valuation Year Ending June 30, 2023 through June 30, 2051
(In Millions)

Valuation Year Ending June 30	Actuarial Value of Assets (AVA)⁽²⁾⁽³⁾	Actuarial Accrued Liability (AAL)⁽²⁾⁽³⁾	Unfunded Actuarial Accrued Liability (UAAL)⁽²⁾	AVA Statutory Funded Ratio⁽²⁾
2023	\$59,524.1	\$114,181.6	\$54,657.5	52.1%
2024	62,084.1	116,531.0	54,446.9	53.3
2025	64,833.7	118,915.9	54,082.1	54.5
2026	67,760.7	121,333.5	53,572.8	55.8
2027	70,840.9	123,766.9	52,926.0	57.2
2028	74,065.3	126,210.9	52,145.5	58.7
2029	77,439.8	128,665.3	51,235.4	60.2
2030	80,916.0	131,121.8	50,205.8	61.7
2031	84,485.2	133,563.7	49,078.4	63.3
2032	88,137.5	135,987.7	47,850.2	64.8
2033	91,874.0	138,393.2	46,519.2	66.4
2034	95,687.0	140,772.1	45,085.4	68.0
2035	99,583.0	143,123.8	43,540.8	69.6
2036	103,581.1	145,462.0	41,880.9	71.2
2037	107,701.1	147,801.8	40,100.7	72.9
2038	111,961.2	150,155.8	38,194.6	74.6
2039	116,385.1	152,540.2	36,155.1	76.3
2040	121,003.8	154,979.0	33,975.3	78.1
2041	125,858.1	157,504.3	31,646.2	79.9
2042	130,982.1	160,141.7	29,159.5	81.8
2043	136,397.6	162,902.7	26,505.1	83.7
2044	142,112.0	165,784.2	23,672.2	85.7
2045	148,140.3	168,789.7	20,649.3	87.8
2046	154,506.4	171,930.6	17,424.2	89.9
2047	162,016.0	175,209.8	13,193.9	92.5
2048	169,955.6	178,629.9	8,671.3	95.1
2049	177,509.2	182,174.0	4,664.8	97.4
2050	182,516.5	185,852.7	3,336.2	98.2
2051	186,579.8	189,680.9	3,101.1	98.4

Source: New Jersey Department of the Treasury, Division of Pensions and Benefits.

⁽¹⁾ The actuarial liabilities and assets shown in this chart are based on the actuarial methods and assumptions used to determine the statutory contributions and are different from the actuarial liabilities and assets based on GASB Statement No. 67. The estimates assume an estimated rate of return of 7% for Fiscal Year 2023 and all future Fiscal Years. Projections exclude estimates for the CP&FPF and the POPF.

⁽²⁾ For a description of these terms, see “—Actuarial Valuations and Actuarial Funded Status of Pension Plans” above.

⁽³⁾ Actuarial value of assets includes the value of the Lottery Contribution. Preliminary unaudited Fiscal Year 2023 Net Lottery Proceeds are estimated to be \$1.103 billion. Future Fiscal Years are adjusted for the receipt of projected Lottery Net Proceeds. Under LECA, the Lottery Enterprise is re-valued every five years. The first revaluation was completed on December 31, 2021. See “—Lottery Enterprise Contribution Act—Lottery Enterprise—Valuation” above.

GASB Statements No. 67 and 68

The State and the Pension Plans are required to follow GASB Statements No. 67 and 68 in preparing their financial statements. These 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 changes to the method a plan uses to compute actual employer contributions to a plan. The State's actual contributions to the Pension Plans continue to be calculated under the requirements of the State statutes.

GASB Statements No. 67 ("GASB 67") and 68 ("GASB 68") require governmental plans use specific methods to calculate the required disclosures that differ from the methods used to calculate the UAAL and funded ratios. Included among those differences are the calculation of each individual member's pension accruals and differences in the discount rate used to calculate the present value of future benefit payments. GASB 67 and 68 additionally require a "depletion date" calculation based on the projected time frame that assets will be available to cover projected benefit payments over a 99-year projection period under certain assumptions.

To project future employer contributions, GASB 67 requires that assumed contributions will be based on a consistent contribution pattern supported by state statute or other formally adopted policy. For many years, the State did not contribute the full actuarial determined contribution (ADC). However, in Fiscal Year 2022, the State contributed more than 100% (108%) of the actuarially determined contribution. In the most recent GASB 67 report, as of June 30, 2022, the asset depletion projection assumed the State will make future contributions based on 100% of the full statutory contribution amount. The GASB Statements require that the discount rate used to discount projected benefits 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 plan members, and the pension plan assets are expected to be invested using a strategy to achieve that return; and (b) a yield or rate index on tax-exempt 20-year, AA- or higher rated municipal bonds to the extent that conditions for use of the long-term expected rate of return are not met.

The GASB 67 reports for the State are based on information from the prior Fiscal Year's actuarial valuations of the Pension Plans, except that the information is updated to reflect market value of assets as of the date of the GASB 67 report and the information is adjusted to reflect events that the actuarial valuation assumed to occur in the Fiscal Year. Thus, the GASB 67 reports as of June 30, 2022 use information from the actuarial valuations of the Pension Plans as of June 30, 2021 subject to these adjustments.

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The results, summarized for the GASB 67 Reports as of June 30, 2022 are shown in the following chart:

GASB STATEMENT NO. 67 DISCLOSURE
Net Pension Liability Plan Fiduciary Net Position⁽¹⁾
Based on Actuarial Valuations as of July 1, 2022
(100% of Actuarially Recommended Contribution)
(In Millions)

<u>Pension Plan</u>	<u>Plan Fiduciary Net Position</u>	<u>Total Pension Liability</u>	<u>Plan Net Pension Liability</u>	<u>Plan Fiduciary Net Position as a % of TPL</u>
PERS ⁽²⁾	\$32,568.1	\$70,174.1	\$37,606.0	46.41%
TPAF	24,640.5	76,317.1	51,676.6	32.29%
PFRS ⁽³⁾	30,708.7	48,518.7	17,810.1	63.29%
CP&FPF	2.2	2.2	0.1	96.61%
SPRS	1,947.3	4,222.4	2,275.1	46.12%
JRS	183.0	901.2	718.2	20.31%
POPF	5.0	2.8	(2.1)	175.44%
Total	<u>\$90,054.8</u>	<u>\$200,138.6</u>	<u>\$110,083.9</u>	<u>45.00%</u>

⁽¹⁾ Unaudited. Based on Market Value as of June 30, 2022. Does not take into consideration the contribution of the Lottery Enterprise.

⁽²⁾ Of the total Net Pension Liability of \$37,606.0 million for PERS, \$22,386.8 million is the estimated State portion and \$15,219.2 million is the estimated local portion.

⁽³⁾ Of the total Net Pension Liability of \$17,810.1 million for PFRS, \$4,326.6 million is the estimated State portion and \$13,483.5 million is the estimated local portion.

Informational copies of the July 1, 2021 valuation report, which are the most recent audited valuations, are posted on the Division of Pensions and Benefits' website at: <http://www.state.nj.us/treasury/pensions/financial-reports.shtml>. The July 1, 2022 valuation report will be posted to the Division of Pensions and Benefits' website when finalized. No information posted on the Division's website is incorporated by reference in this Appendix I.

GASB 67 contains a provision that requires a pension plan to be treated as a single trust for purposes of valuing the plan when there are no separate trust agreements in place for the component groups within the plan. Since there is no language in legislation that legally segregates the State and local components within the PERS and PFRS, the information and disclosures for these two multi-employer plans had to be developed in the aggregate per system and not separately for the State and the local participating employers. If the State and local employers were segregated for GASB 67 disclosure purposes, the State's Plan Fiduciary Net Position as a percentage of Total Pension Liability in both PERS and PFRS would have been lower than the combined State and local Plan Fiduciary Net Position as a percentage of Total Pension Liability shown in the above chart, and the local employer Plan Fiduciary Net Position as a percentage of Total Pension Liability would have been higher.

GASB Statement No. 68 Results

GASB Statement No. 68 ("GASB 68") requires each participating employer to recognize and record as a liability on their financial statements their proportionate share of the collective net pension liability determined under GASB 67. For the Fiscal Year ending June 30, 2023, each participating employer must recognize their share of the total net pension liability of \$110,083.9 million determined as of measurement date of June 30, 2022. The State's share of the collective net pension liability as of June 30, 2021 has been determined to be \$79,743.2 million. This amount will be recorded as a liability on the State's financial statements for the fiscal year ending June 30, 2023.

The following chart summarizes the allocation of the net pension liability of \$110,083.9 million as of July 1, 2022 as determined under GASB 68:

GASB STATEMENT NO. 68 DISCLOSURE
Allocation of Fiscal Year 2023 Net Pension Liability (NPL) per GASB 68⁽¹⁾
(In Millions)

Pension Plan	State	State Non-Employer⁽²⁾	Total State	State Colleges & Universities	Locals	Plan Net Pension Liability
PERS	\$18,780.4	\$127.8	\$18,908.2	\$3,606.4	\$15,091.4	\$37,606.0
TPAF	82.2	51,594.4	51,676.6	-	-	51,676.6
PFRS	4,117.3	2,050.0	6,167.3	196.4	11,446.4	17,810.1
CP&FPF	0.0		0.0			0.0
SPRS	2,275.1		2,275.1			2,275.1
JRS	718.2		718.2			718.2
POPF	(2.1)		(2.1)			(2.1)
Total	<u>\$25,971.1</u>	<u>\$53,772.2</u>	<u>\$79,743.3</u>	<u>\$3,802.8</u>	<u>\$26,537.8</u>	<u>\$110,083.9</u>

⁽¹⁾ Unaudited.

⁽²⁾ The TPAF and a portion of local government component of PFRS represent special funding situations because the State is legally responsible for making contributions directly to these plans that is used to provide retirement benefits to non-State employees. Pursuant to GASB 68, these special funding situations require the State to recognize its proportionate share of the collective NPL for these plans.

Since there is no statutory requirement that the State fund the pension costs for the State colleges and universities, the State is not required under GASB 68 to include the State college and university portion of the net pension liability, which is estimated to be \$3,802.8 million as of June 30, 2022, as a liability on its financial statements. However, the State’s longstanding practice has been to pay the required pension contributions on behalf of the various State higher education institutions and it is expected that this longstanding practice will continue in the future.

An informational copy of the GASB 68 actuarial valuation report for the various Pension Plans is posted on the Division’s website. No information posted on the Division’s website is incorporated by reference in this Appendix I.

FUNDING POST-RETIREMENT MEDICAL BENEFITS

In addition to pension benefits, the State provides post-retirement medical benefits (“PRM”) 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 the Pension Plans must retire with 25 or more years of pension service credit or a disability pension. PRM benefits are provided through the State Health Benefits Program (“SHBP”) and the School Employees’ Health Benefits Program (“SEHBP”). The SHBP and the SEHBP are administered by the Division of Pensions and Benefits. The benefits provided include medical, prescription drug, and Medicare Part B and Part D reimbursement for covered retirees, spouses and dependents. In Fiscal Year 2022, the State paid PRM benefits for 161,238 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 pay in future years for these costs. The chart below shows a period of stability for PRM costs during Fiscal Years 2017, 2018 and 2019. The 2020 PRM cost decrease is an anomaly attributable to the pandemic-related decrease in treatments and healthcare utilization. In Fiscal Year 2021, PRM costs rose at a 13.5% rate compared to Fiscal Year 2020 as retired employees returned to utilizing their doctors and sought treatments that had been postponed due to the pandemic. The Fiscal Year 2022 expense for PRM benefits increased by 6.6%, or \$117.5 million, to \$1.907 billion. The State projects \$2,113.6 million in PRM costs will have been spent for Fiscal Year 2023, which is a 10.8% increase over Fiscal Year 2022. In Fiscal Year 2024, the Governor’s Fiscal Year 2024 Budget Message recommends appropriations of \$2,310.9 million for PRM, a 9.3% increase over projected Fiscal Year 2023 PRM costs.

AGGREGATE STATE CONTRIBUTIONS FOR OPEB
For the Fiscal Years Ending June 30, 2016 through June 30, 2024

<u>State Fiscal Year Ending June 30,</u>	<u>OPEB Expenditure (in Millions)</u>	<u>Dollar Change Over Prior Year (in Millions)</u>	<u>Percentage Change Over Prior Year</u>
2016	\$1,826.0	n/a	n/a
2017	1,865.7	39.7	2.2%
2018	1,908.0	42.3	2.3%
2019	1,907.9	(0.1)	0.0%
2020 ⁽¹⁾	1,577.8	(330.1)	(17.3)%
2021 ⁽²⁾	1,790.1	212.3	13.5%
2022	1,907.6	117.5	6.6%
2023 ⁽³⁾	2,113.6	206.0	10.8%
2024 ⁽⁴⁾	2,310.9	197.3	9.3%

⁽¹⁾ The State experienced a decrease in OPEB costs as healthcare utilization and treatments decreased during the pandemic.

⁽²⁾ As the effects of the pandemic abated, health care utilization rebounded as retired employees utilized their doctors and received other medical treatments and procedures that had been postponed during the pandemic.

⁽³⁾ Projected costs. The Fiscal Year 2023 adjusted appropriation is \$2,113.6 million for PRM costs.

⁽⁴⁾ The Governor's Fiscal Year 2024 Budget Message recommends appropriations of \$2,310.9 million for PRM costs.

Governmental Accounting Standards

Beginning in Fiscal Year 2018, the State is required to calculate and disclose its obligation to pay PRM to current and future retirees based on GASB 74 and 75. The term "OPEB" as used in the following discussion on GASB 74 and 75 requirements refers to the funding of post-retirement medical benefits. GASB 74 applies to OPEB plans and became effective for plan fiscal years beginning after June 15, 2016. GASB 75 applies to employers that sponsor OPEB plans and became effective for employer fiscal years beginning after June 15, 2017. For the State and local participating employers who report on a fiscal year basis, the GASB 75 reporting and disclosure requirements became effective beginning with the issuance of their financial reports for the fiscal year ending June 30, 2018.

Many of the provisions of GASB 74 and 75 for OPEB are parallel to the provisions of GASB 67 and 68 for pensions. GASB 74 and 75 require a liability for OPEB obligations, known as the net OPEB liability ("NOL"), to be recognized on the balance sheet of the employers participating in the OPEB plan. In addition, an OPEB expense is recognized in the income statement of the participating employers.

Certain actuarial methods and assumptions required under GASB 67 and 68 must also be used to develop the NOL under GASB 74 and 75. For instance, GASB 74 and 75 require that the entry age normal actuarial cost method be utilized to determine the total OPEB liability. GASB 74 and 75 also require that future OPEB benefit payments be discounted using a discount rate that reflects a 20-year tax-exempt municipal bond yield or index rate if assets are not available to cover such future benefit payments.

Like GASB 67 and 68, GASB 74 and 75 do not enforce OPEB funding or impact the State's current funding practice which is to fund PRM benefits on a pay-as-you-go basis as benefits become due.

GASB 75 Valuation Results

The State's portion of the total OPEB liability decreased from \$101.6 billion to \$88.8 billion between the June 30, 2021 and June 30, 2022 GASB 75 actuarial valuations prepared by the State's health benefits actuarial consultant, Aon. The decrease in the State's OPEB liabilities is mainly attributable to lower than expected premium and claim experience.

The results of the June 30, 2022 GASB actuarial valuations are summarized in the table below:

GASB Statement No. 75 Accounting Disclosures
Based on Measurement Date of June 30, 2021
For the Fiscal Year Ending June 30, 2022
(In Millions)

	<u>State Retired Fund</u>	<u>Education Retired Fund</u>	<u>Local Govt Retired Fund</u>	<u>Total</u>
OPEB Liability				
(a) Retirees Receiving Benefits	\$10,526.0	\$19,955.8	\$8,270.2	\$38,752.0
(b) Active Participants	14,428.1	40,051.9	9,779.8	64,259.7
(c) Total	<u>24,954.1</u>	<u>60,007.7</u>	<u>18,050.0</u>	<u>103,011.7</u>
Plan Fiduciary Net Position	–	–	50.2	50.2
Net OPEB Liability	<u>\$24,954.1</u>	<u>\$60,007.7</u>	<u>\$17,999.8</u>	<u>\$102,961.5</u>

Estimated Allocation of GASB 75 Liability

<u>OPEB Fund</u>	<u>State</u>	<u>State Non- Employer*</u>	<u>Total State</u>	<u>Locals</u>	<u>Net OPEB Liability</u>
State	\$18,158.4	\$6,795.6	\$24,954.0	–	\$24,954.0
Education	–	60,007.7	60,007.7	–	60,007.7
Local Govt	–	3,861.4	3,861.4	\$14,138.4	17,999.8
Total	<u>\$18,158.4</u>	<u>\$70,664.7</u>	<u>\$88,823.1</u>	<u>\$14,138.4</u>	<u>\$102,961.5</u>

* The State is legally responsible for funding post-retirement benefit costs for State college and university retirees, education retirees, and certain PFRS local government retirees under the provisions of L. 1997, c. 330. Since the State is funding the retiree benefits for these groups, it represents a special funding situation under GASB 75 and the State is required to recognize its proportionate share of the collective Net OPEB liability for these plans.

Aon calculated the State OPEB liability based on plan provisions, as provided by the State, along with certain demographic and economic assumptions recommended by Aon and approved by the State, which conform to the requirements of GASB 74 and 75. Aon used the entry age normal Actuarial Method to calculate the OPEB liability of the State and local participating employers. Many of the actuarial assumptions used to project the OPEB 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 2.16%, and is based on a 20-year tax-exempt municipal bond index. When projecting the growth of expected claims over the lifetimes of the qualifying retirees, (1) Aon assumed that pre-age 65 PPO/HMO medical benefits would increase at a rate of 5.65% in Fiscal Year 2021 and gradually decrease to a 4.5% long-term trend after seven (7) years. For post-65 PPO/HMO medical benefits, the trend rate assumption reflects premiums through plan year 2024 and projected increases in Fiscal Year 2025 of 13.79% and 12.93% for PPO premiums of State and education retirees, respectively; and 15.49% and 15.23% for HMO premiums, respectively. The Post-65 PPO/HMO Medical trend rate will gradually decline until it reaches a rate of 4.5% in Fiscal Year 2032 and all future years. It stabilizes at 6.75% for current and future retirees in Fiscal Year 2031 and all future years; and (2) Aon assumed that prescription drug benefits would increase at a rate of 6.75% for current and future retirees in Fiscal Year 2021 and taper off to a 4.5% long-term trend rate after seven (7) years. Copies of audited valuation reports are posted on the Division of Pensions and Benefits' website at: <http://www.state.nj.us/treasury/pensions/financial-reports.shtml>. No information on that website is incorporated by reference into this Appendix I.

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.

Abbott v. Burke (Motion in Aid of Litigants' Rights)

On January 28, 2021, the State Defendants (consisting of the Commissioner of Education and the Schools Development Authority (“SDA”)) received a motion in aid of litigants’ rights filed by the Education Law Center (the “ELC”) seeking an order from the New Jersey Supreme Court to compel the State Defendants to seek and secure by June 30, 2021, from the Legislature, school construction funding as is needed and required to manage, undertake, and complete the school facilities projects in the SDA 2019 Statewide Strategic Plan. The motion also seeks for the State Defendants to seek and secure funds from the Legislature by June 30, 2021, for health and safety projects, including those necessary to ensure the safe reopening and operation of school buildings in SDA Districts during the ongoing pandemic. The ELC is seeking to enforce the school facilities construction funding mandate set forth in *Abbott v. Burke*, 153 N.J. 480 (1998) and *Abbott v. Burke*, 164 N.J. 84 (2000). State Defendants filed its opposition to the motion on March 22, 2021. The New Jersey Supreme Court requested additional briefing from the parties on the effect, if any, of the enactment of the Fiscal Year 2022 Appropriations Act. The State Defendants filed its brief on August 6, 2021. The New Jersey Supreme Court requested that the State provide cost estimates for: (1) the priority projects listed in the 2019 Statewide Strategic Plan; and (2) the emergent projects in the SDA Districts. The State provided this information to the New Jersey Supreme Court on November 8, 2021. On December 15, 2021, the New Jersey Supreme Court issued an order appointing a Special Master to conduct an analysis of: (1) the status of the cost estimates at issue, including any outstanding steps required to finalize the State’s cost estimates for the emergent projects needed in SDA Districts; (2) the areas in which data is available and those in which information is unavailable or yet undeveloped, and, where the information is not available or has not been developed, a recitation of the steps taken to obtain the information, the steps required to complete that task, and a realistic projection of when the data will become available, if possible, with respect to the cost estimates; and (3) any other information as is relevant to the motion in aid of litigants’ rights. The Supreme Court closed the record on January 30, 2023. The Special Master’s report was issued on March 29, 2023. The State is vigorously defending this matter.

NL Industries, Inc. v. State of New Jersey

The Raritan Bay Slag Superfund Site (the “Site”) is approximately 47 acres of real property located in the Laurence Harbor section of Old Bridge Township and Sayreville. Portions of the Site are located on State riparian lands. In 2012, the United States Environmental Protection Agency (“EPA”) informed NL Industries, Inc. (“NL”) that EPA believed that slag was generated, in part or in whole, by NL’s (then National Lead Industries) lead-smelting facility in Perth Amboy. EPA selected a remediation remedy and named NL as the potentially responsible party subject to enforcement. On March 19, 2014, NL filed an initial complaint for contribution against the State in the Superior Court, Law Division for the costs to remediate the Site. On August 16, 2017, NL filed an amended complaint alleging that in the 1980s the State dredged areas that were impacted by hazardous substances, transported the contaminated sediments and discharged the hazardous substances on areas of the Site, and that the State had caused, or contributed to, the discharge by virtue of the State’s failure, as owner of a portion of the Site, to remove the slag after the enactment of the Spill Compensation and Control Act (“Spill Act”), *N.J.S.A. 58:10-23.11 et seq.*, in 1977. In the amended complaint, NL sought declaratory relief as to the State’s liability for cleanup and removal costs, including future costs or damages. The State filed its answer denying liability and asserting defenses under the New Jersey Tort Claims Act, *N.J.S.A. 59:1-1 et seq.* The State also filed a counterclaim asserting claims under the Spill Act seeking the State’s past and future remediation costs, and natural resource damages. Mediation of this matter began in 2018 and, as a result, NL withdrew its complaint and the State withdrew its counterclaim, both without prejudice. The State continues to mediate this matter with all involved parties. The State is vigorously defending this matter.

Eric R. Perkins, Chapter 7 Trustee for Richard Bernardi, Marilyn Bernardi & Strategic Environmental Partners v. New Jersey Department of Environmental Protection

Richard Bernardi, Marilyn Bernardi, and Strategic Environmental Partners (collectively, “Debtors”) are Chapter 7 Debtors in Federal Bankruptcy Court, Trenton. The Debtors are the owners/operators of the former

“Fenimore Landfill” in Roxbury Township, Morris County. In February 2011, Debtors purchased the landfill property with the stated purpose of closing the landfill and redeveloping it as a solar farm. In conjunction with closure of the landfill, Debtors were authorized to import certain solid waste material. Between November 2012 and June 26, 2013, the DEP investigated over 2500 complaints of noxious hydrogen sulfide gas (“H2S”) odors emitting from the landfill. On June 26, 2013, following enactment of the “Legacy Landfill Law,” *N.J.S.A. 13:1E-125.1 et seq.*, DEP issued an emergency order authorizing DEP to enter the landfill property to take measures to abate the H2S odors, which the Debtors had failed to control. DEP entered the property and eventually installed a gas collection system, thermal oxidizer and scrubber to capture and destroy the H2S. DEP continues to occupy a portion of the property in order to operate the H2S treatment systems and is designing a replacement treatment system for the site.

In June 2016, the Debtors filed separate bankruptcy petitions under Chapter 11 of the Bankruptcy Code and a trustee was appointed (the “Trustee”). In July 2017 the matters were consolidated and converted to Chapter 7 bankruptcy. In December 2017, the Trustee’s counsel advised DEP that they were preparing an adversary complaint in Bankruptcy Court against the DEP seeking damages for DEP’s take-over. After brief settlement discussions, on June 14, 2018, the Trustee filed the adversary complaint for unspecified damages, alleging, *inter alia*, a taking of Debtors’ property without just compensation. DEP filed counter-claims seeking costs incurred to date by DEP abating the H2S emissions. The parties agreed to a discovery extension to August 31, 2023. Trial is scheduled for November 29, 2023. The State is vigorously defending this matter.

Public Service Electric & Gas Company, Inc. v. Director, Division of Taxation

For tax years 2006 through 2014, Public Service Electric & Gas Company, Inc. (“PSE&G”) filed CBT returns and included its transitional energy facility assessment (“TEFA”) in its CBT base, in accordance with *N.J.S.A. 54:10A-4.1*. Thereafter, PSE&G recalculated its CBT liability, removed the TEFA from the tax base and sought a CBT refund. Notably, the Appellate Division recently concluded that TEFA payments are included in the CBT base and denied a similar refund claim. *Rockland Elec. Co. v. Director, Div. of Taxation*, 30 N.J. Tax 448 (Tax 2018), *aff’d*, A-4522-17T2 (App. Div. June 24, 2019), cert. denied. *Rockland Electric Co.* is now final and binding upon the Tax Court. The Division denied PSE&G’s refund claim. On or about May 28, 2019, PSE&G filed a Complaint in the Tax Court of New Jersey, contesting the CBT refund denial. The Division filed its answer to the complaint. The State is vigorously defending this matter.

Stanislaus Food Products Co. v. Director, Division of Taxation

On or about July 31, 2017, Stanislaus Foods filed a complaint in the Tax Court contesting the constitutionality of the Corporation Business Tax’s Alternative Minimum Assessment (“AMA”) component. For periods after June 30, 2006, the AMA is \$0, except for foreign corporations protected from income tax by the Interstate Income Act of 1959, *P.L. 86-272*. Stanislaus Foods alleges the AMA discriminates against foreign corporations in violation of the federal constitution’s Dormant Commerce Clause and Supremacy Clause. The parties filed partial cross-motions for summary judgment. On June 28, 2019, the Tax Court concluded that the AMA, for periods after June 30, 2016, conflicts with the mandates of *P.L. 86-272*, and thus, violates the federal Supremacy Clause. The Division filed a motion for reconsideration on March 2, 2020, and the Tax Court heard oral argument on June 19, 2020. On April 22, 2021, the Tax Court denied the Division’s motion for reconsideration. The remainder of the case continues to proceed in the Tax Court to address the remaining non-constitutional arguments. The State is vigorously defending this matter.

Cargill Meat Solutions Corporation. v. Director, Division of Taxation

Plaintiff, based out of Kansas, sells meat products and services throughout the United States. Plaintiff does not engage in meat processing or packaging in New Jersey. Rather, its operations in New Jersey are limited to storage and distribution, as it arranges for delivery of its products to a 180-mile radius market covering portions of Pennsylvania, New Jersey, New York and Maryland. In calculating its New Jersey Litter Control Fee liabilities, Plaintiff took a \$465 million deduction in 2014 and \$509 million deduction in 2015, claiming its sales to wholesalers are not subject to the Litter Control Fee under *N.J.S.A. 13:1E-216(a)*, the wholesaler-to-wholesaler exception. The Division disallowed these deductions, finding that the Plaintiff was not entitled to the wholesaler-to-wholesaler exception because even though Plaintiff’s sales were all to wholesalers, the Plaintiff is a manufacturer and, thus, not entitled to a wholesaler-to-wholesaler exemption. The Division imposed an additional Litter Control Fee to comport with the disallowance of the deductions. Plaintiff filed a complaint with the Tax Court contesting the denial of the

deduction and, to invalidate the additional Litter Control Fee assessment by challenging the facial constitutionality of the Litter Control Fee statute. The Division filed an answer on July 16, 2018, and on June 14, 2019, filed a motion to dismiss the facial constitutional challenge to the Litter Control Fee. On March 12, 2020, the court granted the Division's motion and dismissed that count of the complaint. The parties cross-moved for summary judgment on the remaining counts of the complaint and the Tax Court heard oral argument on April 16, 2021. On December 15, 2021, the Tax Court issued a decision denying the Plaintiff's motion for summary judgment and granting the Division's motion for summary judgment, determining that the Plaintiff is a manufacturer for purposes of the Litter Control Fee and not entitled to the wholesaler-to-wholesaler exception. On January 27, 2022, Plaintiff filed an appeal of the Tax Court's March 2020 order and December 2021 decision. Plaintiff filed its brief on May 19, 2022. The Division filed its brief on September 21, 2022. On August 22, 2022, the Tax Court granted the New Jersey Business and Industry Association's motion to appear as amicus curiae in support of Plaintiff. The State is vigorously defending this matter.

Gomez v. DCPD et al.

On March 12, 2012, the Plaintiff child was allegedly assaulted by her biological father, suffering severe injuries. Plaintiff alleged that the New Jersey Department of Children Protection and Permanency ("DCPP") knew that the Plaintiff's parents had a history of drug and alcohol abuse, psychiatric problems and were unemployed. The biological mother had two other children removed from her care and was in a methadone program when the Plaintiff was born. The biological father also had an extensive criminal history of domestic violence. Plaintiff claims DCPD failed to comply with its own policy and procedure, failed to remove the Plaintiff from the home, negligent training, violation of the New Jersey Child Placement Bill of Rights, and Section 1983 claims. The complaint was filed in State court on February 12, 2015. On March 11, 2015, DCPD removed the case to the U.S. District Court for the District of New Jersey and filed a motion to dismiss the complaint. The State's motion to dismiss the complaint was denied without prejudice on May 8, 2015. The Plaintiff agreed to withdraw the federal claims and the matter was remanded to State court. Discovery is ongoing. The State is vigorously defending this matter.

In the Matter of Application by Horizon Healthcare Services, Inc., to Form a Mutual Holding Company Pursuant to N.J.S.A. 17:48E-46.1.

On December 12, 2022, New Jersey Citizen Action and Health Professionals and Allied Employees (collectively, the "Appellants"), filed a Notice of Appeal in Superior Court, Appellate Division challenging the Department of Banking and Insurance's November 1, 2022 order (the "DOBI Order") approving the reorganization application of Horizon Healthcare Services, Inc. ("Horizon") from a health services corporation to a mutual holding company. The Appellants are challenging the DOBI Order which was issued after review of the application submitted by Horizon under N.J.S.A. 17:48E-46.1 to 46.16. The Appellants claim that DOBI rushed its review of Horizon's application and did not follow the Act's requirements in reviewing the application. Appellants further contend that the DOBI Order failed to follow the statutory mandate that Horizon's plan be found to benefit its policyholders, not treat them inequitably, and not be detrimental to the insurers' safety or soundness. The State is vigorously defending this matter.

J.A., et al. v. New Jersey Department of Education, et al.

On May 23, 2018, Plaintiff J.A., individually and on behalf of her minor child J.A., filed a complaint in the U.S. District Court for the District of New Jersey against the New Jersey Department of Education, New Jersey Office of Administrative Law, Commissioner of Education, and Administrative Law Judge ("ALJ") Jeffrey R. Wilson (collectively "State Defendants"), as well as the Monroe Township Board of Education, which has since been dismissed from the case. An amended complaint was filed adding additional plaintiffs and "DOEs 1-250 similarly situated ALJs" as defendants.

Plaintiffs purport to bring class action claims against State Defendants under the Individuals with Disabilities Education Act ("IDEA") P.L. 101-476, "Federal Preemption" and 42 U.S.C. § 1983, and alleging two separate systemic violations of the IDEA. Plaintiffs also sought to bring a class action declaratory judgment claim against State Defendants and to appeal three separate interlocutory orders of the ALJ. Among other things, Plaintiffs seek the following relief: (1) a trust fund to provide educational services to all class members for the denial of a Free and Appropriate Public Education ("FAPE") as such term is defined in IDEA; (2) a trust fund to reimburse class members for the denial of a FAPE; (3) punitive damages; and (4) attorneys' fees and costs.

State Defendants filed a motion to dismiss and Plaintiffs opposed that motion. On June 17, 2020, the U.S. District Court ordered the parties to show cause as to why this matter should not be consolidated with the *C.P., et al. v. NJDOE, et al.*, 1:19-cv-12807 (NLH/MJS) (“*C.P.*”). (*C.P.* is a related matter with similar claims, but only seeks injunctive and declaratory relief). The court has not issued a formal order or decision on consolidation with the *C.P.* matter. On March 25, 2021, the Plaintiffs sought to consolidate this matter (“*J.A. I*”) with three other matters, *J.A. v. MTBOE, et al.*, 1-20-cv-09498 (NLH/MJS) (“*J.A. II*”), *Joanna A., et al. v. MTBOE, et al.*, 1:21-cv-06283 (NLH/MJS) (“*J.A. III*”), and *M.D., et al. v. Vineland City Bd. of Ed., et al.*, 1:19-cv-12154 (NLH/MJS) (“*M.D.*”). The districts and the State Defendants opposed consolidation. On March 22, 2022, the U.S. District Court denied consolidation of this matter. The State is vigorously defending this matter.

J.A., et al. v. Monroe Township Board of Education, et al. and J.A. v. New Jersey Department of Education et al.

On July 28, 2020, Plaintiff J.A., individually and on behalf of her minor child J.A., filed a complaint in the U.S. District Court for the District of New Jersey against the New Jersey Department of Education (“NJDOE”), New Jersey Office of Administrative Law (“NJOAL”), the Interim Commissioner of Education, two named Administrative Law Judges (“ALJ”) and NJDOEs 1-250 Similarly Situated ALJs (collectively, “State Defendants”), as well as the Monroe Township Board of Education (“MTBOE”). On March 23, 2021, Plaintiff Johanna A., individually and on behalf of her minor child J.A., filed a complaint in the United States District Court for the District of New Jersey against the NJDOE, NJOAL, Interim Commissioner of Education, four named ALJs and NJDOEs 1-250 Similarly Situated ALJs (collectively, the “State Defendants”), as well as MTBOE. Both complaints seek to appeal the final decision and order of an ALJ in the underlying special education due process dispute. They also allege various systemic violations of the IDEA and 42 U.S.C. § 1983; a claim of discrimination under the Americans with Disabilities Act of 1990, 42 U.S.C. § 12101 et seq.; and a claim of retaliation, pursuant to Section 504 of the Rehabilitation Act of 1973, 29 U.S.C. § 701 et seq. Plaintiffs seek declaratory and injunctive relief, as well as monetary relief in the form of damages, punitive damages, compensatory education, and attorneys’ fees and costs. The State Defendants filed motions to dismiss in both matters.

On March 25, 2021, the Plaintiffs filed a motion to consolidate the three J.A. matters and the M.D. matter. The districts and the State Defendants filed oppositions. On March 22, 2022, the court granted consolidation of the J.A. II and the J.A. III matters and denied consolidation with J.A. I or M.D. On March 31, 2022, the court granted in part and denied in part the State Defendants motion to dismiss. Discovery is currently ongoing. Plaintiffs filed a motion for summary judgment on March 31, 2023. The State is vigorously defending this matter.

Jersey City Board of Education and E.H., a minor, by his guardian ad litem, Shanna C. Givens v. State of New Jersey

On April 29, 2019, the Jersey City Board of Education (“JCBOE”) and E.H., a minor, by his guardian ad litem, Shanna C. Givens (“Plaintiffs”) filed a complaint against the State and various State officials (collectively, the “State Defendants”) alleging that the recent amendments to the School Funding Reform Act, *N.J.S.A. 18A:7F-43 to -63* (the “Amendments”), as applied to JCBOE, and the State Defendants failure to fully fund JCBOE’s long range facilities plan (“LRFP”), violate the State’s constitutional requirement to “provide for the maintenance and support of a thorough and efficient system of free public schools...”. *N.J. Const. art. VIII, § 4*. The Amendments at issue slowly phase out certain additional State aid previously granted to SDA Districts. The phase out of this additional State aid is to occur over a six-year period beginning in the 2019-2020 school year. Plaintiffs allege that the reduction in State aid to JCBOE will jeopardize JCBOE’s ability to provide the level of funding necessary to meet the legal standard of a “thorough and efficient” education (“T&E”).

The Plaintiffs seek, among other things, a preliminary and permanent injunction enjoining the State Defendants from reducing funding to JCBOE and an order requiring the State Defendants to fully fund JCBOE’s LRFP. On July 23, 2019, Plaintiffs filed a first amended complaint, which continues to allege that the reduction in State aid to JCBOE as a result of the Amendments will jeopardize JCBOE’s ability to provide T&E. The State Defendants filed a motion to dismiss the first amended complaint, which was denied by the trial court on January 17, 2020. Discovery is complete. Oral argument was held on March 2, 2023 and a decision is pending on the parties’ motion for summary judgment. The State is vigorously defending this matter.

Lorillard Tobacco Co. v. Director, Division of Taxation

This case involves constitutional challenges to the Division's regulation, N.J.A.C. 18:7-5.18(b), the Division's interpretation of the unreasonableness exception to the State's corporate royalty addback statute, N.J.S.A. 54:10A-4.4(c)(1)(b), and Division's Schedule G-2, which implements the calculation of the unreasonable exception based on Taxation's interpretation of its regulation. In 2006, the Division assessed Corporation Business Tax ("CBT") on a subsidiary of Lorillard Tobacco Co. ("Lorillard") for tax years 1999-2004 based on royalty payments the subsidiary had received from Lorillard. The subsidiary was a non-filer in New Jersey and contested the assessment in the New Jersey Tax Court claiming, among other things, that it did not have physical presence in the State so it lacked substantial nexus to permit it to be subject to CBT. While the subsidiary's case was pending in the Tax Court, Lorillard filed refund claims for 2002-2005 by filing amended CBT returns, claiming it would be improper, unreasonable, and unconstitutional to deny it a deduction for the royalty payments if, at the same time, the Division subjected its subsidiary to tax on such amounts. Taxation denied the claims as "protective" and Lorillard filed a complaint with the Tax Court in 2007. The subsidiary ultimately conceded nexus, filed CBT returns and paid taxes under the State's 2009 Tax Amnesty program, after the U.S. Supreme Court denied certiorari regarding the New Jersey Supreme Court decision in *Lanco v. Dir., Div. of Taxation*, 188 N.J. 380 (2006). In *Lanco*, the Court held that the State could subject a taxpayer to CBT even though it lacked physical presence in the State. Thereafter, Lorillard sought an expedited payment of the CBT refund based on the Division's Schedule G-2 calculation, which limited Lorillard's deduction due to its subsidiary's lower allocation factor. Lorillard reserved its challenge to the remainder of the exemption. In 2012, Lorillard filed another complaint with the Tax Court challenging the Division's partial refund denial for tax years 2008-2010 on the same basis as the 2007 complaint.

Lorillard claims that the Division improperly and unconstitutionally granted only a partial deduction of royalty payments that Lorillard made to its subsidiary. In February 2019, the Tax Court issued a decision granting Lorillard summary judgment, and holding that the Division's denial of a deduction for the full amount of royalties Lorillard paid was not a reasonable exercise of the Division's discretion. The Tax Court found it unnecessary to address Lorillard's constitutional attacks.

The Division appealed to the Appellate Division, and Lorillard filed a cross-appeal, re-asserting its constitutional challenges. The Tax Court issued a final judgment on Lorillard's 2012 complaint based on its reasoning regarding the 2007 complaint. Both parties again appealed and the matters were consolidated by the Appellate Division. Oral argument was held on December 14, 2020. On September 21, 2021, the Appellate Division reversed the Tax Court's decision granting Lorillard summary judgment and remanded the matter back to the Tax Court for consideration of the constitutional issues. Lorillard filed its supplemental brief with the Tax Court addressing the constitutional issues on February 24, 2022. The Division filed its brief on May 6, 2022. Oral argument was held on September 13, 2022. On October 14, 2022, the Tax Court requested additional supplemental briefing. Simultaneous briefs were submitted November 28, 2022. The State is vigorously defending this matter.

Lisa Salvato, on behalf of herself and other persons similarly situated v. Steven Harris, in his official capacity as Administrator of the State of New Jersey

On July 14, 2021, Plaintiff filed a corrected complaint in the United States District Court for the District of New Jersey seeking declaratory and injunctive relief against the Administrator of the New Jersey Unclaimed Property Administration (the "Administrator"). Although the corrected complaint appeared to present a challenge to the constitutionality of the New Jersey Uniform Disposition of Unclaimed Property Act, N.J.S.A. 46:30B-1 to -109 (the "Unclaimed Property Act"), Plaintiff has since disavowed that position. Rather, Plaintiff challenges the Administrator's implementation of the Unclaimed Property Act, asserting that the Administrator's actions under the Act violate the federal constitution's Due Process Clause and Takings Clause. Plaintiff seeks relief both individually and on behalf of a class of similarly situated individuals, namely all individuals owning abandoned property transferred to the State under the Unclaimed Property Act over the past ten years without notice to the owners. The State filed a motion to dismiss the complaint, which was granted in part and denied in part, with leave to conduct limited expedited discovery and file an amended complaint. Discovery is ongoing. Plaintiff filed a first amended complaint, which purported to add a new class plaintiff, Christine Kydd. On July 8, 2022, the State filed a motion to strike the first amended complaint as exceeding the court's limited grant of authority to amend. The court granted the State's motion removing Christine Kydd as a plaintiff, and struck certain allegations of the amended complaint. Plaintiff was granted

leave to, and did, seek reconsideration of the order dismissing Plaintiffs' Takings Clause claim. The State is vigorously defending this matter.

Medicaid, Tort, Contract, Workers' Compensation and Other Claims

The Office of the Inspector General ("OIG") of the U.S. Department of Health & Human Services ("HHS") has conducted and continues to conduct various audits of Medicaid claims for different programs administered by the State's Department of Human Services ("DHS"). The OIG audits, which have primarily focused on claim documentation and cost allocation methodologies, recommend that certain claims submitted by DHS be disallowed. OIG submits its recommendations on disallowances to the Centers for Medicare and Medicaid Services ("CMS") which may, in whole or in part, accept or disagree with the OIG's recommendations. If the OIG's recommendations are not challenged by the State or are upheld by CMS, DHS will be required to refund the amount of any disallowances. Eighteen audits, which in the aggregate total nearly \$1 billion, are currently in draft or final form but, due to possible revisions or appeals, the final amounts are uncertain. Approximately one-third of the amount above relates to an audit of the State's School-based Medicaid claiming. However, DHS is disputing the OIG's audit findings. 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.

The federal Disaster Relief Appropriations Act of 2013 (the "Disaster Relief Act") appropriated approximately \$50.38 billion (later reduced by sequestration to \$47.9 billion) to various federal agencies to assist states and local communities with the impacts of Superstorm Sandy, including funding provided directly to private homeowners and businesses. The Disaster Relief Act allocated funding to OIG to conduct audits and investigations related to the expenditure of disaster relief aid. Audits are ongoing or have already been undertaken by the OIG from the U.S. Department of Homeland Security, the U.S. Department of Housing and Urban Development, the U.S. Department of Transportation, and the HHS. The State anticipates that there will be continued audit activity throughout the duration of the federally-funded Sandy programs. As with any federal OIG audit or investigation, there is the potential for an OIG recommendation that the federal agency de-obligate funding in the event of non-compliance with federal statutes or regulations.

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

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

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

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

Prior to July 1, 2013, there were various numbers of claims and cases pending against the University of Medicine and Dentistry of New Jersey ("UMDNJ") and its employees, seeking recovery of monetary damages that were primarily paid out of the UMDNJ Self Insurance Reserve Fund created pursuant to the New Jersey Tort Claims Act (*N.J.S.A. 59:1-1 et seq.*). As a result of the enactment of the New Jersey Medical and Health Sciences Education

Restructuring Act, L. 2012, c. 45 (the “Restructuring Act”), all of UMDNJ was transferred to Rutgers, The State University (“Rutgers”), with the exception of the School of Osteopathic Medicine which was transferred to Rowan University (“Rowan”), and University Hospital in Newark, New Jersey, which now exists as a separate instrumentality of the State. All claims and liabilities of UMDNJ associated with the transferred facilities have been transferred to Rutgers, Rowan and University Hospital, as applicable. Pursuant to the Restructuring Act, Rutgers and Rowan each entered into a memorandum of understanding with the State Treasurer pursuant to which the State shall pay from a self-insurance reserve fund established for each entity medical malpractice claims occurring prior to and post the effective date of the transfers, which was July 1, 2013. The Restructuring Act also provides for University Hospital’s medical malpractice claims to be covered by a self-insurance reserve fund established by the State Treasurer. University Hospital entered into a memorandum of understanding with the State Treasurer for such claims. All claims, other than medical malpractice claims, incurred by UMDNJ with respect to the UMDNJ facilities transferred to Rutgers will be paid for by Rutgers out of its own funds. All claims, other than medical malpractice claims, incurred by Rowan will be paid from the Tort Claims Fund. The State is unable to estimate its exposure for these claims.

Approximately two dozen hospitals have challenged in the Office of Administrative Law and the Appellate Division the Medicaid reimbursement rates paid to these hospitals alleging that there were calculation errors or that the methodology used to calculate the rates is incorrect. Additionally, a group of hospitals have challenged the constitutionality of the charity care statute and the inpatient Medicaid rate reimbursement framework. This group of hospitals allege the losses incurred in treatment of the charity care and Medicaid patients is an unconstitutional taking of the hospitals’ property. These challenges date back to 2002. The State is vigorously defending this matter. To date, there have been no findings against the State. In the event the hospitals are successful, State’s Department of Health (“DOH”) and DHS have advised that they may possibly need to refund millions of dollars to the hospitals over the various relevant years. The State is unable to estimate its exposure for these claims.

Affirmative Litigation

From time to time, the State initiates litigation against various entities to enforce State laws, contractual and other rights, pursue cost recoveries and natural resource damages in the environmental arena and prosecute entities who have engaged in alleged fraudulent, negligent or other wrongful conduct. The State is unable to estimate the amount of any monetary recoveries from such affirmative litigation. In addition, depending on which State department, division or agency is the plaintiff, any monetary recoveries may already be included in such State department, division or agency’s revenue estimates for the current fiscal year.

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APPENDIX I-A
SUMMARY OF CERTAIN STATE TAXES

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**APPENDIX I-A
SUMMARY OF CERTAIN STATE TAXES**

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Summary of Certain State Taxes

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

Alcoholic Beverage Tax

The Alcoholic Beverage Tax applies to the first sale or delivery of beer, liquor, wine and sparkling 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. Materials used by distilleries to produce hand sanitizer during a public health emergency are exempt. *L. 2020, c. 33.*

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

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

Casino Taxes, Fees, and Surcharges

The Casino Control Act imposes a tax on the “gross revenues” of gambling casinos, as defined by the Act, as well as a gross revenue tax on companies that administer and service multi-casino progressive slot machine systems.

Current Rate: 8% (both taxes).

The Tourism Promotion Fee is applied to each room occupied or possessed by guests, with a rate of \$2 per day for each occupied room in hotels that provide casino gambling. A \$1-per-day rate applies to each occupied room in all other facilities. *L. 1991, c. 376.*

There is also a \$3 per day occupancy fee imposed on occupied rooms in a casino hotel facility. *L. 2003, c. 116.* There is also a minimum daily charge of \$3 per car for the use of casino hotel parking facilities in Atlantic City. *L. 1993, c. 159; L. 2003, c. 116.* The casino has the discretion to either pay the parking fee on behalf of the patron, or to charge the patron the parking fee. *L. 1993, c. 159.* No patron shall be required, upon proof of payment of the \$3 charge, to pay the charge again for the same motor vehicle on the same calendar day, in the same parking facility or any other casino hotel parking facility. *L. 1993, c. 159.*

A Casino Room Occupancy Surcharge is imposed on the casino hotel facility at \$2 per day on occupied rooms in Atlantic City. *L. 2021, c. 497.* The casino has the discretion to pass on the surcharge to the guest.

L. 2013, c. 27 amends and supplements the Casino Control Act and authorizes Internet gaming at Atlantic City casinos under certain circumstances. The law imposes an annual 15% tax on Internet gaming gross revenues, which shall be paid into the Casino Revenue Fund. The 8% tax on casino gross revenues excludes Internet gaming, but the investment alternative tax does apply to those Internet gaming gross revenues at a rate of 5% with the State requiring a partial payment of 2.5% of the estimated taxes. *L. 1984, c. 218; L. 2013, c. 27.*

Revenue received by casinos from sports wagering is subject to an 8.5% tax, while revenue received from Internet sports wagering is subject to a 13% tax. *L. 2019, c. 36.*

L. 2021, c. 314 temporarily modifies the taxes and credits of casino licensees and permanently redefines promotional gaming credits to include certain coupons and table game wagers.

Cigarette Tax and Tobacco and Vapor Products 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 and also on

consumers who possess untaxed cigarettes. Receipts from the sale or use of tobacco products other than cigarettes, by a distributor or wholesaler to a retail dealer or consumer, are subject to the Tobacco Products Wholesale Tax. *L.* 1990, *c.* 39. As of March 1, 2002, the Tobacco Products Wholesale Tax is imposed on the price that a distributor pays to buy products from the manufacturer. *L.* 2001, *c.* 448. The Tobacco Products Wholesale Tax is imposed on liquid nicotine used in electronic cigarettes and similar devices. *L.* 2018, *c.* 50. The Act was renamed the Tobacco and Vapor Products Tax Act and container e-liquid is now subject to the tax. *L.* 2019, *c.* 147.

Current Rates: Cigarette Tax — \$0.135 per cigarette and \$2.70 per pack of twenty cigarettes; Moist snuff — \$0.75 per ounce with a proportionate tax rate for fractional amounts; Tobacco and Vapor Products Tax — 30%; \$0.10 per milliliter of liquid nicotine with a proportionate tax rate on fractional amounts and 10% of the retail price of container e-liquid.

Annually, the sum of \$1 million 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 renamed Tobacco and Vapor Products Tax Act is deposited into the Health Care Subsidy Fund. For fiscal years beginning on or after July 1, 2009, \$241.5 million of revenue collected from the Cigarette Tax shall be deposited annually into the Dedicated Cigarette Tax Revenue Fund. *L.* 2009, *c.* 70.

Corporation Business Tax (CBT)

Corporations are subject to mandatory unitary business combined reporting and market sourcing for tax years beginning on and after January 1, 2019. *L.* 2018, *c.* 48. Combined reporting treats the unitary business members of a combined group as one single economic enterprise. *L.* 2020, *c.* 118 amended the combined reporting rules further by adding provisions concerning tax treatment of income of public utilities and New Jersey Subchapter S corporations, and tax treatment for certain allowable net operating loss carryovers, transfers, and deductions. *L.* 2018, *c.* 48. The definition of “unitary business” has been expanded to mean “a single economic enterprise that is made up either of separate parts of a single business entity or of a group of business entities under common ownership” and is “construed to the broadest extent permitted under the Constitution of the United States.” *L.* 2018, *c.* 48. Provisions regarding the entire net income tax base and operative dates for combined reporting were amended, a CBT deduction in the amount of a federal deduction claimed on certain foreign related income under 26 U.S.C. § 250 was added, and the tax treatment of certain tax credits awarded by the New Jersey Economic Development Authority (“NJEDA”) was clarified. In addition, a surtax was imposed with a phase down over four tax years: a 2.5% surtax in Tax Years 2018 and 2019; a 1.5% surtax in Tax Years 2020 and 2021; and no surtax beginning in Tax Year 2022. *L.* 2018, *c.* 131. The 2.5% surtax is now retroactively imposed from January 1, 2020 through December 31, 2023. *L.* 2020, *c.* 95. However, if the federal corporate income tax rate imposed pursuant to IRC § 11 is increased to a rate of at least 35% of taxable income, the surtax imposed pursuant to *c.* 95 shall be suspended following the conclusion of a taxpayer's privilege period corresponding with the increase to the federal corporate income tax rate. *L.* 2020, *c.* 95.

L. 2017, *c.* 254 authorizes the establishment of a drug donation program that encourages the donation of over-the-counter drugs, prescription drugs, and administrative supplies by donors, for use by people who are indigent, uninsured, or underinsured. Donors are persons or entities properly licensed and authorized to possess prescription drugs, and which elect to donate over-the-counter drugs, prescription drugs or administration supplies pursuant to the Act. Donors may claim a corporation business tax or gross income tax credit equal to the sum of: the cost of the over-the-counter drugs, prescription drugs and administration supplies; and the verifiable cost incurred to make the donation of the drugs and supplies.

On November 4, 2014, Article VIII, Section II of the State Constitution was amended to provide that from July 1, 2015, until June 30, 2019, an amount equivalent to 4% of the revenue annually derived from the CBT (or any other law of similar effect) be credited to a special account in the General Fund to be appropriated for the preservation, development, and stewardship, of lands for recreation and conservation purposes. Commencing on July 1, 2019, an amount equivalent to 6% of the revenue annually derived from the CBT (or any other law of similar effect) shall be credited to this special account to be appropriated for these purposes.

NJEDA provides tax credits which can be used to offset CBT as well as the Insurance Premiums Tax (“IPT”) through the Urban Transit Hub Tax Credit Act (“UTHTCA”), the Grow New Jersey Assistance Act (“GNJAA”), the New Jersey Economic Stimulus Act of 2009 (“NJESA 2009”), the Public Infrastructure Program (“PIP”), and through

Business Employment Incentive Program (“BEIP”) grants. Awards for any of these programs are based on actual performance and achievement of job and capital investment requirements. The NJEDA is authorized to implement certain accommodations to businesses due to the COVID-19 public health emergency. *L. 2022, c. 134*. Businesses participating in the GNJAA and UTHHTCA programs are permitted by NJEDA to terminate their program agreements any time before December 31, 2023, commencing with the 2020 tax period or any subsequent tax period ending on or before December 31, 2023. *L. 2022, c. 134*. Businesses may also extend the time allowed under current law to suspend its obligations under GNJAA and UTHHTCA, for the same period of time. *L. 2022, c. 134*. *L. 2012, c. 35*, amends the UTHHTCA 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 was increased from \$1.5 billion to \$1.75 billion, to be utilized over a ten-year period. The overall cap on PIP credits is \$22 million. There is no overall cap on GNJAA credits. The UTHHTCA program is now closed to new applications.

L. 2013, c. 14, known as the “New Jersey Angel Investor Tax Credit Act,” provides tax credits against CBT and GIT for qualified investments in New Jersey emerging technology businesses. 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. The total cap on the credit is increased to \$35 million per year. *L. 2020, c. 156*. *L. 2017, c. 40*, permits holding companies of eligible New Jersey emerging technology companies to receive investments under the Act. The amount of the CBT and GIT credits that are available for qualified investments increased from 10% to 20% of the qualified investment, and a taxpayer may be allowed a tax credit in an amount equal to 25% of the qualified investment when the emerging technology business is located in a qualified opportunity zone or low-income community, as defined by federal law, or is certified by the State as a minority- or woman-owned business. *L. 2019, c. 145*.

Credits against the CBT and IPT are also available to residential developers, through the Economic Redevelopment and Growth (“ERG”) program, authorized by NJEDA in 2009. The total cap on credits is \$823 million, to be utilized over a ten-year period. *L. 2015, c. 69* provides that mixed use parking project developers are eligible for credits, but did not increase the overall cap. The total tax credits available under the ERG Program were increased by \$25 million and the deadlines by which certain developers may submit a letter of support from the host municipality were extended until December 31, 2022. *L. 2022, c. 75*. Additionally, the requirements for certain mixed-use parking projects undertaken by municipal redevelopers prior to March 9, 2020 under the ERG program were amended so that project costs may include the cost or value of land, demolition, and equity contributions, as well as any particular costs for which the project has received State or local funding. *L. 2022, c. 75*. The redevelopment incentive grants awarded for these projects would equal 100 percent of the total project costs for the parking component, and 40 percent of the total project costs for the non-parking component; the redevelopment incentive grants awarded for these projects would equal 100 percent of the total project costs for the parking component, and 80 percent of the total project costs for the non-parking component if the mixed-use parking project is: (1) constructed upon all or a portion of a project site that was previously awarded tax credits pursuant to the UTHHTCA or the NJESA 2009, but those tax credits were not issued; (2) built for an entertainment venue with a seating capacity in excess of 5,000; or (3) constructed to be utilized by a visitor center or youth center within or adjacent to a national historic park. *L. 2022, c. 75*.

NJEDA awarded BEIP grants to certain businesses which met employment goals in New Jersey. *L. 2015, c. 194*. Most recipients of BEIP grants accrued but not paid between 2008 and 2025 elected to receive the grant in the form of a tax credit against the recipient’s CBT (as well as IPT) obligations. Credits can be sold in certain circumstances by certain entities. The amount of the grant or credit is based on the recipient company’s employee GIT withholdings. There was no overall cap on BEIP grants, although the grant was limited to a maximum of \$50,000 per employee. The BEIP program is now closed to new applications.

NJEDA awarded tax credits against CBT and IPT through the Business Retention and Relocation Assistance Act (“BRRRA”). The overall cap was \$20 million per year. The program was eliminated by *L. 2013, c. 161*. The BRRRA program is now closed to new applications. NJEDA approved \$124 million of BRRRA tax credits for companies, which may use the credits over six years.

In response to the impact of the pandemic on the State’s economy and finances, the Economic Recovery Act of 2020 allowed certain deferrals, adjustments, and the termination of incentive agreements for businesses affected by COVID-19. *L. 2020, c. 156*. The Act authorized the NJEDA that it may request a tax certificate holder, at the holder’s

discretion, to defer the application of a currently allowable tax credit pursuant to Grow New Jersey Assistance Act (*L. 2011, c. 149*), to a later tax period. *L. 2020, c. 156*.

Most tax credit programs administered by the NJEDA are nonrefundable, meaning that a taxpayer may not claim a tax credit greater than its tax liability. The nonrefundable status of the tax credits negates the potential for a tax refund based upon the applicable NJEDA tax credit in any tax year for taxpayers without sufficient tax liability. However, many of the tax credits can be sold.

L. 2018, c. 56, known as the “Garden State Film and Digital Media Jobs Act,” provides a tax credit for qualified film production expenses and for digital media content production expenses, against the CBT and the GIT. The application for the credits must be submitted to the NJEDA and approved, in order to receive the credits. For qualified film production expenses, the credit is 30% of the expenses during a tax year beginning on or after July 1, 2018, but before July 1, 2028. *L. 2019, c. 506*. The credit is 35% for qualified film production expenses incurred by a taxpayer for services performed, or tangible personal property purchased, from sellers with a primary place of business in Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Mercer, or Salem County. For digital media content production expenses, the credit is 20% of the qualified digital media content production expenses of the taxpayer during a privilege period beginning on or after July 1, 2018 but before July 1, 2028. The credit is 25% for expenses incurred by a taxpayer in Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Mercer, or Salem County. NJEDA is authorized to approve up to \$100 million in tax credits for qualified film production expenses for Fiscal Year 2019 and in each Fiscal Year thereafter, prior to Fiscal Year 2029, and up to \$10 million in tax credits for qualified digital media content production expenses in Fiscal Year 2019 and in each Fiscal Year thereafter, prior to Fiscal Year 2029. The Economic Recovery Act of 2020 expanded the availability of tax credits for qualified film production expenses, to investors designated as New Jersey Film Partners and New Jersey Film-Lease Partners. NJEDA is authorized to approve up to \$100 million per year in tax credits for qualified film production expenses for each of these designated investor categories, in Fiscal Year 2021 and in each Fiscal Year thereafter, prior to Fiscal Year 2034, representing an additional \$200 million annually in available tax credits, over 13 years. *L. 2020, c. 156*.

A tax credit is available for employers of impaired employees to help to offset the cost to the employer of any wage increases for those employees caused by enacting an increased minimum wage. The minimum wage is scheduled to increase in stages from \$8.80 per hour to \$15 per hour by January 1, 2024. *L. 2019, c. 32*.

L. 2019, c. 320 creates the “Pass-Through Business Alternative Income Tax Act.” The alternative tax is elected by the entity’s members and calculated by a progressive percentage, 5.675% to 10.9%, depending on the amount of pass-through proceeds. If paid, the members are entitled to a corresponding GIT credit.

Employers are provided a CBT and GIT tax credit for workers who missed time due to donating organs or bone marrow, capped at 25% of the worker’s salary for up to thirty days of missed time. *L. 2019, c. 444*.

Starting July 1, 2019, a taxpayer can claim credits against CBT and GIT of up to \$10,000 for start-up costs immediately following a qualifying one-year apprenticeship in an apprenticeable trade. *L. 2019, c. 417*. The Division of Taxation’s Director can approve up to \$1,000,000 in credits annually.

The Economic Recovery Act of 2020, provides various tax credits, including an overall cap of \$11.5 billion for these programs, and allows a seventh year of tax credits under those programs for uncommitted credits. *L. 2020, c. 156*. The Historic Property Reinvestment program provides CBT and IPT tax credits for part of the cost of rehabilitating historic properties in this State. The credit is based on 40 percent of the rehabilitation cost of a qualified property or transformative project, and tax credits under this program are capped at \$50 million annually for six years. *L. 2020, c. 156*. The Brownfields Redevelopment Incentive program provides CBT tax credits to compensate developers of redevelopment projects located on brownfield sites for remediation costs, based on 40 percent of the actual remediation costs, or 40 percent of projected remediation costs as set forth in a redevelopment agreement, or \$4,000,000, whichever is least. Tax credits under this program are capped at \$50 million annually for six years. *L. 2020, c. 156*. The Food Desert Relief program provides CBT and IPT credits in order to incentivize businesses to establish and retain new supermarkets and grocery stores in food desert communities. *L. 2020, c. 156*, amended by *L. 2021, c. 160* and *L. 2022, c. 47*. The taxpayer may claim 25 percent of the total credit in the taxable year during which the taxpayer establishes and opens the supermarket or grocery store for business and may carryforward any unused

credits for 10 years. Tax credits under this program are capped at \$40 million annually for six years. *L. 2020, c. 156.* The New Jersey Community-Anchored Development program provides CBT and IPT credits to anchor institutions, which includes universities, medical systems, and other non-profits, to incentivize the expansion of targeted industries in the State and the continued development of certain areas of the State. Tax credits under this program are capped at \$200 million annually for six years. *L. 2020, c. 156.* The New Jersey Aspire program provides CBT and IPT tax credits to encourage redevelopment projects, including special needs, moderate-income, and low-income redevelopment projects, by covering certain project financing gap costs. *L. 2020, c. 156.* The Emerge program provides CBT and IPT tax credits to encourage economic development, job creation, and the retention of a significant number of jobs in imminent danger of leaving the State. These credits may be used in the tax year in which they are approved or they can be carried forward for use in any of the next seven successive tax periods. *L. 2020, c. 156. L. 2022, c. 46* provides that the recipients of tax credits under the New Jersey Aspire program may carry forward unused tax credits during the seven privilege periods following the year in which the credits are awarded. The recipient may also carry forward unused tax credits, including when tax credits exceed the value of eligible tax liabilities against which the tax credits may be claimed. Additionally, the NJEDA is no longer required to approve the carryforward of tax credits. *L. 2022, c. 46.* Tax credits under the New Jersey Aspire program combined with tax credits under the Emerge program are capped at \$1.1 billion annually for six years. *L. 2020, c. 156.* The \$1.1 billion cap does not apply to transformative projects for which the credits under the Aspire program and the Emerge program are capped at \$2.5 billion over six years combined. *L. 2020, c. 156.* The Act also provides a CBT and GIT tax credit for hiring employees for the manufacture of personal protective equipment. These tax credits are capped at \$10 million annually for three years. *L. 2020, c. 156.* Under the New Jersey Evergreen Act, the New Jersey Economic Development Authority, will auction up to \$300,000,000 in tax credits in annual amounts if, exclusive of reserves, the New Jersey Economic Development Authority does not have more than \$15,000,000 available from prior auction(s) of tax credits to distribute amongst qualified venture firms. *L. 2020, c. 156.* The Director, Division of Taxation may purchase unused tax credits for 75% or less of their value, except for credit under the “Emerge Program Act,” awarded under the following programs: “Historic Property Reinvestment Act,” the “Brownfield Redevelopment Incentive Program Act,” the “New Jersey Innovation Evergreen Act,” the “Food Desert Relief Act,” the “New Jersey Community-Anchored Development Act,” the “New Jersey Aspire Program Act,” the “Emerge Program Act,” the Grow New Jersey Assistance Program, section 6 of *L. 2010, c. 57*, the State Economic Redevelopment and Growth Grant Program, and sections 1 and 2 of *L. 2018, c. 56. L. 2020, c. 156.* For privilege periods ending in 2020, 2021, and 2022, a taxpayer, upon approval of an application, shall be allowed a \$10,000 credit for each qualifying new hire (new hires for which the taxpayer is already receiving an incentive under the Emerge Program are not eligible) involved in the manufacture of personal protective equipment in a qualified facility, against Franchise Tax and/or GIT imposed upon the taxpayer, along with other tax credits awarded based upon employment practices at a qualified facility engaged in various economic activity, not to exceed \$500,000 (\$10,000,000 for both Franchise Tax and GIT). *L. 2020, c. 156.* A business entity classified as a partnership or New Jersey S Corporation will not be allowed a tax credit based upon the production of personal protective equipment against GIT, along with other tax credits awarded based upon employment practices at a qualified facility. *L. 2020, c. 156.*

For CBT and GIT purposes, a taxpayer shall not be denied a deduction for ordinary and necessary business expenses paid for with the proceeds of a federal Paycheck Protection Program loan, by reason of the exclusion of the loan from entire net income or because the loan was forgiven pursuant to section 1106 of the federal CARES Act, *Pub. L. 116-136*, or any subsequent expansion of the federal Paycheck Protection Program. *L. 2021, c. 90.*

A taxpayer may apply a credit of up to \$30,000 for a commercial property and \$3,000 for a residential property in a single privilege period toward an imposed Corporation Business Tax or Gross Income Tax, for the purchase and use of unit concrete products that utilize carbon footprint-reducing technology. *L. 2021, c. 278.* The law establishes a credit value of \$2 per square foot of qualified unit concrete products when the taxpayer makes a minimum purchase of 100 square feet of qualified unit concrete products. *L. 2021, c. 278.*

L. 2023, c. 4 provides CBT and GIT credits to concrete producers that deliver concrete associated with reduced greenhouse gas emissions, for use in certain State funded projects. The Act also provides CBT and GIT credits to these same producers, for the costs of conducting environmental production declaration analyses of their products. The amount of the tax credits would be capped at 5 percent of the cost of the reduced emission concrete, for "low embodied carbon concrete," and 3 percent of the costs of the reduced emission concrete, for concrete that incorporates

"carbon capture, utilization, and storage technology." Concrete that meets both criteria could receive a tax credit of up to 8 percent of the cost of the reduced emission concrete. *L. 2023, c. 4.*

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, as were tax laws concerning sales of electricity, natural gas, and energy transportation service. Effective January 1, 1998, the Gross Receipts and Franchise Tax previously collected by electric, gas and telecommunications utilities was eliminated. *L. 1997, c. 162.* In its place, electric, gas, and telecommunications utilities became subject to the CBT, and the retail sale of electricity and natural gas, with certain exceptions, became subject to the State's Sales and Use Tax. *L. 1997, c. 167.*

Current Rate for sewerage and water corporations: 5% (2% if gross receipts do not exceed \$50,000) plus 7% on gross receipts plus 0.625% surtax (0.25% if gross receipts do not exceed \$50,000) plus 0.9375%.

Utilities are generally subject to the CBT, with certain exceptions. The retail sale of energy and utility service is subject to the State's Sales and Use Tax, with certain exceptions. A portion of the revenues derived from the taxation of energy and utility service is credited to a special dedicated fund known as the "Energy Tax Receipts Property Tax Relief Fund" ("Fund"). *L. 1997, c. 167.* Sewerage and water corporations are exempt from the CBT, but are subject to a specific excise tax which applies only to them. Utilities are also assessed by the Board of Public Utilities. Certain utilities may also be subject to the Uniform Transitional Utility Assessment.

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

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 or other retirement income, such as income from Internal Revenue Code § 401(k), 403, 414, and 457 Plans (*L. 1989, c. 219*), of non-resident individuals, estates and trusts, is also subject to GIT. Gambling winnings of non-residents are subject to the GIT as well. *L. 1993, c. 143.* Non-residents pay GIT based on a statutory calculation which requires non-residents to compute liability as though they are residents and then prorate liability by the proportion of New Jersey source income to total income. *L. 1993, c. 178.* However, the requirement that non-residents must compute their tax liability on a prorated basis may be suspended provided New York State eliminates a similar requirement for its non-resident personal income taxpayers. *L. 1993, c. 320.* *Current Rates:* Beginning in 1996 and thereafter, further rate reductions enacted pursuant to *L. 1995, c. 165* will result in cumulative decreases from the 1993 taxable year levels of 30%, 15% and 9% for certain taxable income levels.

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

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

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

Effective January 1, 2018 and thereafter, a new graduated gross income tax rate of 10.75% is imposed on taxpayers with income over \$5,000,000. *L. 2018, c. 45.*

Effective January 1, 2020 and thereafter, the tax rate for income between \$1,000,000 and \$5,000,000 increases from 8.97% to 10.75%. *L. 2020, c. 94.*

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 January 1, 1997, \$1,200 is deductible, with this amount annually adjusted based on relevant C.P.I.'s. *L. 1996, c. 121; L. 2002, c. 162.* Additionally, under the "New Jersey Limited Liability Company Act," for State tax purposes, members or assignees of members of the newly created limited liability companies are treated as partners in a partnership and single member limited liability companies are treated as sole proprietorships, unless treated otherwise for federal income tax purposes. *L. 1993, c. 210; L. 1998, c. 79.* Discharge of student loan indebtedness is excluded from gross income when it is from the Total and Permanent Disability discharge process of the United States Department of Education, for a taxpayer who is a totally and permanently disabled veteran. *L. 2022, c. 125.*

Military pension and survivor benefits respecting service in the United States Armed Forces are not included in gross income. *L. 2001, c. 84.* However, for taxable years beginning on or after January 1, 2004, *L. 2005, c. 63* excludes from taxable income housing and subsistence allowances received by New Jersey National Guard members on State Active duty, and by members of the U.S. Armed Forces' active and reserve components (effective April 7, 2005). For taxable years beginning on or after January 1, 2021, military combat zone pay excluded under IRC §112 is also excluded from New Jersey gross income. *L. 2020, c. 93.*

Gross income also does not include earnings on or distributions from an individual trust account or savings account established pursuant to the New Jersey Better Educational Savings Trust Program ("NJBEST") (*L. 1997, c. 237*) or the New Jersey Achieving a Better Life Experience ("ABLE") Program (*L. 2015, c. 185*); or contributions to or distributions from a medical savings account excluded from federal gross income under 26 U.S.C. 220 (*L. 1997, c. 414*). Distributions from Roth IRAs also receive favorable tax treatment. *L. 1998, c. 57.* For taxable years beginning on or after January 1, 2022, a NJBEST account, when it is initially opened by a taxpayer with gross income of \$75,000 or less, shall be eligible for a one-time grant of up to \$750 in a dollar-for-dollar match of the initial deposit to the account. *L. 2021, c. 128.* A taxpayer with gross income of \$200,000 or less shall be allowed a deduction not to exceed \$10,000, from the taxpayer's gross income for the taxable year, in the amount of the taxpayer's contribution for the taxable year to an account established pursuant to the NJBEST Program. *L. 2021, c. 128.* A taxpayer with gross income of \$200,000 or less shall be allowed a deduction, not to exceed \$2,500, from the taxpayer's gross income for the taxable year, in the amount of principal and interest payments paid on a student loan under the New Jersey College Loans to Assist State Students Loan ("NJCLASS") Program. *L. 1999, c. 46; L. 2021, c. 128.* A taxpayer with gross income of \$200,000 or less shall be allowed a deduction, not to exceed \$10,000, from the taxpayer's gross income for the taxable year, in the amount the taxpayer paid to an in-State institution of higher education during the taxable year, for tuition costs related to the taxpayer's enrollment or attendance at the institution of higher education or related to the enrollment or attendance of a spouse or dependent of the taxpayer at the institution. *L. 2021, c. 128.*

Pursuant to *N.J.S.A. 54A:3A-17*, New Jersey resident taxpayers are permitted a deduction of up to \$10,000 from gross income for property taxes. Effective January 1, 2018 and thereafter, the deduction from gross income for property taxes increases to \$15,000. *L. 2018, c. 45.* 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. For sales or exchanges of principal residences occurring after May 7, 1997, gains of up to \$500,000 on joint returns and \$250,000 on single returns may be excluded, subject to certain limitations and qualifications. *L. 1998, c. 3.*

The law also provides a State-administered property tax relief program to eligible homeowner and tenant residents pursuant to the Homestead Property Tax Credit Act (the "Act"). *L. 1990, c. 61.* The Act provides minimum

statutory benefits and is subject to annual appropriation. The ANCHOR Property Tax Relief Program currently authorized for Fiscal Year 2023, provides property tax benefits to eligible residents, including those who reside in housing that operates under a Payment In Lieu of Taxes agreement with their municipality. Homeowner residents with gross income in excess of \$150,000 but not in excess of \$250,000 for tax year 2019 are eligible for a benefit in the amount of \$1,500 of property taxes paid; tenant residents with gross income in excess of \$150,000 for tax year 2019 are excluded from the program, and tenant residents with gross income not in excess of \$150,000 for tax year 2019 are eligible for a benefit of \$450. *L. 2022, c. 49.*

The minimum taxable income for gross income tax purposes are amounts in excess of \$10,000 for unmarried individuals, married persons filing separately, estates, and trusts, for tax years commencing January 1, 1999. *L. 1994, c. 8.* With respect to married persons filing joint returns, and individuals filing as head of household or as a surviving spouse for federal income tax purposes pursuant to *N.J.S.A. 54A:2-1*, the minimum taxable income subject to tax are amounts in excess of \$20,000.

L. 2000, c. 80 created an Earned Income Tax Credit (EITC) program in New Jersey. Effective January 1, 2007, an eligible New Jersey resident can claim a credit based upon a percentage of the individual's federal EITC, which is allowed and applied for, under section 32 of the federal Internal Revenue Code of 1986 (26 *U.S.C.* 32). *L. 2008, c. 109.* The credit percentages for eligible claimants are as follows: 20% from 2003 through 2007, 22.5% in 2008, 25% for 2009, 20% for 2010 through 2014, 30% for 2015 (*L. 2015, c. 73*), 35% for 2016 through 2017 (*L. 2016, c. 57*), 37% for 2018 (*L. 2018, c. 45*), 39% for 2019 (*L. 2018, c. 45*) and 40% for 2020 and thereafter. *L. 2018, c. 45.* For tax years beginning on and after January 1, 2021, eligibility under the EITC program includes taxpayers that are at least 18 years of age and removes the maximum age restriction of 65 years old. *L. 2021, c. 130.*

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. Chapter 55 specifies that county recording officers will act as agents of the Director, Division of Taxation, in collecting the estimated gross income tax due at an amount no less than 2% of the consideration stated in the deed for the sale or transfer of property and transmitting those funds, net of the administrative fee, to the Division of Taxation in such form and manner as the Director will determine.

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

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

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

Uncoupled deductions will apply to the other activities described above and that are set forth under the American Jobs Creation Act of 2004, and will apply to qualified production property that was grown or extracted by the taxpayer. *L. 2005, c. 127.*

For taxable years beginning after December 31, 2017, the entire IRC §199 deduction has been repealed for federal and New Jersey purposes by the federal Tax Cuts and Jobs Act. *Pub. L. 115-97; L. 2018, c. 48.*

For taxable years beginning after December 31, 2017, the GIT is uncoupled from any deduction provided under section 199A of the federal Internal Revenue Code. Section 199A allows taxpayers other than corporations a deduction of 20% of qualified business income earned in a qualified trade or business, subject to certain limitations. *L. 2018, c. 48.*

L. 2021, c. 308 expanded income eligibility and availability of the tax credit for certain child and dependent care expenses. Retroactive to January 1, 2021, an eligible New Jersey resident taxpayer with New Jersey taxable income of \$150,000 or less can claim a credit for expenses for household and dependent care services, based upon a percentage of the taxpayer's allowable federal credit applied for under section 21 of the Internal Revenue Code of 1986 (26 U.S.C. § 21). *L. 2021, c. 308* increased eligibility for the credit to a maximum taxable income of \$150,000 from \$60,000, and eliminated the maximum allowable credit of \$500 for one child or dependent and \$1,000 for two or more children or dependents, for employment-related expenses. The credit now ranges from 10% to 50% of the federal credit. If the amount of credit exceeds the amount of tax due, then the excess is treated as a refundable overpayment. The credit shall be an amount equal to a percentage of the credit allowed the taxpayer for federal income tax purposes for the taxable year as follows: Income not over \$30,000 receives 50% of federal credit; income over \$30,000 but not over \$60,000 receives 40% of federal credit; income over \$60,000 but not over \$90,000 receives 30% of federal credit; income over \$90,000 but not over \$120,000 receives 20% of federal credit; and income over \$120,000 but not over \$150,000 receives 10% of federal credit. *L. 2021, c. 308.*

The GIT pension exclusion and other retirement income exclusion are available to certain taxpayers in amounts up to a total of \$100,000 for joint filers, \$75,000 for individuals, and \$50,000 for married but filing separately. *L. 2016, c. 57. L. 2005, c. 130* previously eliminated the GIT pension exclusion and other retirement income exclusions for taxpayers with gross income over \$100,000. For tax years beginning on and after January 1, 2021, Taxpayers with income greater than \$100,000 but less than \$125,000 are newly eligible for partial exclusions of retirement and pension income of up to 50% (married filing jointly), 25% (married filing separately) or 37.5% (single). *L. 2021, c. 129.* For taxpayers with income greater than \$125,000 but less than \$150,000, the exclusion is 25% (married filing jointly), 12.5% (married filing separately), or 18.75% (single filer). *L. 2021, c. 129.*

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

NJEDA awarded BEIP grants to certain businesses which meet employment goals in New Jersey. Recipients of BEIP grants accrued but not paid between 2008 and 2025 can choose to receive the grant in the form of a credit against the recipient's GIT withholding obligations. *L. 2015, c. 194.* A recipient which is a partnership can receive a credit against its GIT withholding obligations or the GIT obligations of certain partners. Credits can be sold in certain circumstances by certain entities. The BEIP program is now closed to new applications.

L. 2009, c. 69 suspends the property tax deduction for tax year 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: 65 years of age or older; or allowed a personal exemption as a blind or disabled individual. Chapter 69 also provides that New Jersey State 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. *L. 2009, c. 69.*

The additional annual personal exemption for veterans was increased from \$3,000 to \$6,000. *L. 2019, c. 146.* The additional annual personal exemption is allowed for any individual New Jersey gross income taxpayer who is a veteran honorably discharged or released under honorable circumstances from active duty in the Armed Forces of the United States, a reserve component thereof, or the National Guard of New Jersey in a federal active duty status. *L. 2016, c. 57.*

The Wounded Warrior Caregivers Relief Act, provides tax credits for qualified family caregivers of qualified armed service members. *L. 2017, c. 67.*

L. 2017, c. 174, established the “Gold Star Family Counseling Program” in the Department of Military and Veterans Affairs and provides an annual tax credit that shall be determined by the Department as the sum of the hours of donated counseling provided to the Gold Star family member, multiplied by the documented compensation rate applied to those hours.

Individuals can elect to designate part or all of their GIT refund to the Meals on Wheels program, directly on their GIT return. *L. 2019, c. 295*.

The deadline to file GIT returns for tax year 2019 was extended to July 15, 2020. *L. 2020, c. 19*. The statute of limitations for assessments was also extended until ninety days after the conclusion of the state of emergency declared by the Governor. *L. 2020, c. 19*.

L. 2019, c. 320 creates the “Pass-Through Business Alternative Income Tax Act.” A GIT credit is available in the amount of the individual member’s pro rata share of the entity’s elected alternative minimum tax.

Unreimbursed costs related to donating organs or bone marrow can be deducted from gross income, up to \$10,000. *L. 2019, c. 444*.

Effective in the tax year beginning on or after January 1, 2022, resident taxpayers with New Jersey taxable income of \$80,000 or less are allowed to claim a refundable child tax credit for each child who has not attained the age of six years as of the close of the taxable year, and for which the taxpayer is allowed a personal exemption deduction. *L. 2022, c. 24, 115*. The taxpayer must use a Social Security number or an Individual Taxpayer Identification Number (ITIN) on their tax forms to be eligible. Income of \$30,000 or under receives a \$500 credit; income over \$30,000 but not over \$40,000 receives a \$400 credit; income over \$40,000 but not over \$50,000 receives a \$300 credit; income over \$50,000 but not over \$60,000 receives a \$200 credit; and income over \$60,000 but not over \$80,000 receives a \$100 credit.

Election worker compensation paid for work performed on Primary or General Election Days, or during early voting periods is exempt from the GIT. *L. 2022, c. 71*.

The federal partnership audit regime is adopted and taxpayers are required to pay any additional New Jersey Gross Income Tax due with respect to final federal adjustments resulting from an audit or other action by the Internal Revenue Service no later than 180 days after the final determination date. *L. 2022, c. 133*. The requirement to affirmatively elect New Jersey S Corporation status was also eliminated. *L. 2022, c. 133*.

Insurance Premiums Tax (IPT)

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 the State. Effective January 1, 1992, health service corporations became subject to tax on their experience-rated health insurance. *L. 1989, c. 295*. A surtax on all automobile insurance premiums, except as exempted by statute, was imposed from June 1, 1990 through May 31, 1992. *L. 1990, c. 8*. There is also a retaliatory tax imposed against foreign insurance companies doing business in New Jersey where the foreign company’s state, country, or province (in the event that the foreign country is Canada) imposes an overall tax (including but not limited to fines and penalties) on New Jersey insurance companies doing business in that jurisdiction that is higher than the tax New Jersey imposes on the foreign company doing business in New Jersey. The tax rate is equal to the difference between the two rates.

Current Rates: 1.05% 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.

L. 2005, c. 128 modifies the insurance premiums tax treatment of health service corporations. Specifically, Chapter 128 amends the “maximum tax rule,” which caps taxable premiums at 12.5% of total New Jersey premiums. The amendment excludes from the maximum tax rule all health service corporations established pursuant to the provisions of *L. 1985, c. 236 (N.J.S.A. 17:48A-1 et seq.)*. Additionally, the Act imposes the Insurance Premium Tax

on all premiums of health services corporations and on any life, accident or health insurance corporation in which a health services corporation owns stock in, controls, or with which it otherwise becomes affiliated *L. 2005, c. 128*. Effective January 1, 2009, accident and health insurance premiums are also excluded from the maximum tax rule. *L. 2009, c. 75*.

L. 2009, c. 75 also excludes accident and health insurance premiums from the 12.5% maximum tax rule on a company's total premiums when the ratio of the company's New Jersey business to total business is greater than 12.5%.

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% on 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% on each dollar thereafter. The reinsurance premium tax does not apply to premiums for risks or portions of risks, which are subject to taxation on a direct basis. In addition, the reinsurance premium tax does not apply in connection with the receipt of assets in exchange for the assumption of loss reserves and other liabilities of another insurer under common ownership and control, when (1) the transaction is part of a plan to discontinue the operations of the other insurer and (2) the intent of the parties to the transaction is to renew or maintain the business with the captive insurance company.

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

Motor Fuels Tax

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

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 foregoing, aviation fuel distributed to a general aviation airport is taxed at 2 cents per gallon. *L. 2010, c. 22*.

Article VIII, Section 2, Paragraph 4 of the State 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. Effective after the fiscal year beginning July 1, 2015, the dedicated funds shall be an amount equivalent to all revenue derived from collection of the Motor Fuels Tax.

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 (*L. 1991, c. 19*) and asphalt. This tax does not apply to the sale of fuel oil used by any utility, co-generation facility or wholesale operation facility to generate electricity.

Current Rate: 7% for petroleum products, \$.124 per gallon for fuel oil effective November 1, 2016. *L. 2016, c.57.* Aviation fuel remains subject to tax at \$0.04 per gallon. Effective October 1, 2021, the tax on gasoline and liquefied petroleum will decrease from \$.402 cents to \$.319 cents for gasoline and from \$.442 cents to \$.359 cents for diesel fuel.

In November 2000, the State Constitution was amended to dedicate to the Transportation Trust Fund Account in the General Fund, amounts derived from State revenues collected from the Petroleum Products Gross Receipts Tax. NJ Const. Art. VIII, § 2, Para. 4(b). Amounts so dedicated fund transportation infrastructure improvements, and are not less than \$100 million for Fiscal Year 2001; and not less than \$200 million for Fiscal Year 2002 through Fiscal Year 2016. NJ Const. Art. VIII, § 2, Para. 4(b). For each State fiscal year thereafter, an amount equivalent to all revenue derived from the collection of the Petroleum Products Gross Receipts Tax shall be dedicated to the Transportation Trust Fund Account. NJ Const. Art. VIII, § 2, Para. 4(b).

Realty Transfer Tax

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

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

Pursuant to *N.J.S.A. 46:15-7.1*, a supplemental fee is imposed in addition to the above-recited RTT, upon presentation for filing of deeds evidencing transfers of real property. The supplemental fee is also 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 of 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 of one- and two-family, owner-occupied residences by senior citizens, blind persons, or disabled persons and the transfers of low- and moderate-income housing. *L. 2003, c. 113.*

A new general purpose fee is imposed under *N.J.S.A. 46:15-7* in addition to the above-recited RTT on grantors, upon presentation for filing deeds evidencing transfers of real property whose value is more than \$350,000. *L. 2004, c. 66.* The general purpose fee is also being collected by the Counties. The general purpose fee is \$0.90 for each \$500 on the first \$550,000 of the value recited in the deed of transfer; \$1.40 on each \$500 of the value between \$550,000 and \$850,000; \$1.90 on each \$500 of value between \$850,000 and \$1,000,000; and \$2.15 for each \$500 of the value over \$1,000,000. *L. 2004, c. 66.*

In addition, the grantee (buyer) of residentially-zoned real property, whether improved or not, is required to pay a separate fee equal to 1% of the full amount of the consideration for consideration in excess of \$1,000,000. The fee imposed by subsection a. of *L. 2004, c. 66, § 8 (N.J.S.A. 46:15-7.2)* shall not apply to a deed if the transfer of real property is incidental to a corporate merger or acquisition if the equalized assessed value of the real property transferred is less than 20% of the total value of all assets exchanged in the merger or acquisition. *L. 2006, c. 33.* Pursuant to Section 9 of *L. 2004, c. 66*, the 2004 RTT amendments apply to deeds presented for recording that evidence real property transfers occurring on or after August 1, 2004. Effective February 1, 2005, *L. 2005, c. 19* amended the 1% fee so that it only applies to the purchase of certain types of residentially-zoned property for consideration in excess of \$1,000,000, including real property that: (1) is classified for assessment purposes as Class 2 (residential); (2) includes certain property classified for assessment purposes as Class 3A (farm property (regular)) and other real property sold in conjunction with such property; or (3) that is a cooperative unit; or (4) that is classified pursuant to

the requirements of *N.J.A.C. 18:12-2.2* as Class 4A (commercial properties). *L. 2006, c. 33*. If a transfer includes property classified pursuant to the requirements of *N.J.A.C. 18:12-2.2* as Class 4 property of 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.

L. 2006, c. 33 did not alter *L. 2005, c. 19*, which exempts from the fee any transfer to a 26 *U.S.C. 501(c)(3)* charitable organization, and permits a full refund to be provided to a buyer who paid the fee but would not have been required to do so under the amended law.

Sales and Use Tax

The Sales and Use Tax (“SUT”) 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, subject to certain exceptions; (c) sales of food and drink by restaurants and other similar establishments; and (d) the sale, except for resale, of telecommunications. Effective October 1, 2022, sign installation services and signs sold to the end user are subject to SUT. *L. 2022, c. 97*. This tax is also imposed on the rental of hotel and motel rooms, and certain admission charges including those for professional wrestling. Effective July 1, 1992, retail sales of alcoholic beverages are also subject to this tax. *L. 1990, c. 40*. Beginning on October 1, 2018, the rental of a transient accommodation is subject to this tax and to the State Occupancy Tax unless the keys to the transient accommodation are obtained off-site from a New Jersey real estate broker. *L. 2018, c. 49*. Rentals of hotels, motels, and transient accommodations located in one of the 14 municipalities that participate in the Meadowlands revenue sharing program are subject to an additional 3% Meadowlands regional hotel use assessment. *L. 2018, c. 49; L. 2018, c. 52*. On and after August 9, 2019, transient accommodation taxes and fees are only applicable when the renter obtains the rental unit through a transient space marketplace or when the unit is professionally managed. *L. 2019, c. 235*. In addition, travel agencies and online travel agencies are now considered to be transient space marketplaces and are required to collect the transient accommodation taxes and fees.

Current Rate: 7% (*L. 2006, c. 44*). The rate is reduced from 7% to 6.875% on and after January 1, 2017 and the tax rate decreased to 6.625% on and after January 1, 2018. *L. 2016, c. 57*.

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

The Sales Tax is also extended as of October 1, 2006, to services, subject to some exemptions, including, but not limited to, furnishing of space for storage; parking, storing or garaging a motor vehicle; tanning services, massage services, tattooing, investigation and security services, information services, limousine services originating within New Jersey; and initiation fees, membership fees or dues for access to the use of property or facilities of a health and fitness, athletic, sporting or shopping club or organization. *L. 2006, c. 44*. The imposition of sales and use tax on limousine transportation services is repealed. *L. 2017, c. 27*.

Qualified businesses engaged in retail sales in a designated Urban Enterprise Zone (“UEZ”) are exempt from sales tax equal to 50% of the tax rate in effect, except on sales of alcoholic beverages, cigarettes, motor vehicles, manufacturing products and energy. *L. 1983, c. 303; L. 1990, c. 40*. Retail sales of tangible 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 by such business within the UEZ were fully exempt from sales tax. *L. 2007, c. 328*. Effective January 1, 2022, *L. 2021, c. 197* limits the sales tax exemption of tangible personal property for qualified businesses to the first \$100,000 of annual purchases. However, retail sales by supermarkets or grocery stores located in a food desert community, or that are located in an Urban Enterprise Zone and have received an annual certificate of eligibility from the Department of Community Affairs have an unlimited sales tax exemption. *L. 2021, c. 197; L. 2022, c. 42*. Receipts from sales of materials, supplies, or services, to a qualified business, for exclusive use in erecting structures or building on, or otherwise improving, altering, or repairing real property of the qualified business within the UEZ, were also fully exempt from sales tax. However, *L. 2021, c. 197* limits this exemption to the first \$100,000 of these purchases, effective January 1, 2022. The sales tax exemption is not limited

when the purchase is for the exclusive use of erecting new structures or buildings on, or substantially improving, altering or repairing, the real property of the qualified business within the UEZ. *L. 2021, c. 197.*

Under the Brownfields Reimbursement Program, the State provides cash payments to developers in an amount equivalent to 75% of the estimated costs of remediation of a contaminated site, and derived from tax revenues generated by new incremental sales and other taxes paid to the State, from the project site. The grant payments are made after completion of the project and subject to receipt of taxes over a maximum period stated in the agreement. There is no cap on the Brownfields Reimbursement program. There is also a program for the remediation of municipal landfills in which 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 of the sales tax collected on non-exempt sales generated from businesses located on the sites. *L. 1996, c. 124.*

Article VIII, Section II of the State Constitution provides for the dedication of up to \$98 million annually from sales tax revenues for open space, farmland and historic preservation commencing on July 1, 1999 and the dedication of and not less than \$200 million annually for credit to the Transportation Trust Fund Account in the General Fund to be used to fund improvements to the State's transportation infrastructure.

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

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

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

Effective November 1, 2018, following the U.S. Supreme Court decision in *South Dakota v. Wayfair*, in which the Court determined that physical presence within a state was not a prerequisite for the collection of sales tax, *L. 2018, c. 132* established sales tax nexus in New Jersey for remote sellers, which requires the seller to collect State sales tax. Nexus is established when a remote seller makes \$100,000 in taxable sales or 200 or more separate transactions into the State in a calendar year or in a prior year. A "marketplace facilitator" now has sales tax collection and reporting requirements. A "marketplace facilitator" means any person or business that provides a forum to a retailer to advertise, promote, and list the retailer's products and who also collects receipts from the customer and remits payment to the seller.

Commercial redevelopment projects qualifying under the ERG program are eligible for funding of up to 20% of the total cost of the project. *L. 2009, c. 90.* The funds are paid to the developer out of incremental tax revenue from the project, which is primarily SUT, but also includes various other taxes. The payments are made from up to 75% of incremental tax revenue (85% in a Garden State Growth Zone) over a period of up to twenty years. The ERG program expired on July 1, 2019, and no new applications are being accepted, except applications in certain circumstances will be accepted from a developer of a qualified residential project or a mixed used parking project until December 31, 2021.

Exemptions from the SUT 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 for distribution to out-of-State recipients 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 subsidiaries; 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 Federal Communications Commission; coin-paid charges for coin-operated telecommunications devices; and property used directly and primarily on farms. The SUT on receipts from certain retail sales 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, is reduced by 50%. *L. 1993, c. 373.* Sales and leases of new and used boats and other vessels are exempt to the extent of 50% of the tax imposed under the SUT Act, with a cap of \$20,000 on the total tax. *L. 2015, c. 170.* In addition, out-of-state boats operated and registered lawfully can be used in New Jersey in a non-commercial manner for up to 30 days per year without incurring use tax. Sales of materials integral to sand casting processes and operations are exempt from SUT. *L. 2019, c. 98.* Receipts from the sale or use of energy and utility service to or by a recovered materials manufacturing facility or by a recycled materials manufacturing facility for use or consumption directly and primarily in the production of tangible personal property is exempt from SUT for a period of seven years. *L. 2019, c. 437, L. 2021, c. 213.* Receipts from the sales of unit concrete products that utilize carbon footprint-reducing technology are exempt from SUT. *L. 2021, c. 278.* An annual sales tax holiday is established for certain retail sales of computers, school computer supplies, school supplies, school art supplies, school instructional materials and sport or recreational equipment near the start of each new school year. *L. 2022, c. 21.*

Social Equity Excise Fee

A Social Equity Excise Fee is imposed on the cultivation of cannabis by any cannabis cultivator, based on the receipts from the sale or equivalent value of the transfer of usable cannabis by a cannabis cultivator, to any other cannabis establishment other than another cannabis cultivator. Any sale by a cannabis cultivator for which the excise fee is imposed pursuant to this section shall be exempt from the Sales Tax. *L. 2021, c. 16.* The fee is calculated at 1/3 of 1% of the Statewide average retail price of an ounce of cannabis and any fractional portion of an ounce of cannabis sold or transferred shall be subject to the fee on a proportional basis. *L. 2021, c. 16.* Beginning nine months following the first sale or transfer of usable cannabis subject to the excise fee, the excise fee may be adjusted annually based upon the Statewide average retail price of usable cannabis for consumer purchase as follows: (1) up to \$10 per ounce, as established by the commission, if the average retail price of an ounce of usable cannabis was \$350 or more; (2) up to \$30 per ounce, as established by the commission, if the average retail price of an ounce of usable cannabis was less than \$350 but at least \$250; (3) up to \$40 per ounce, as established by the commission, if the average retail price of an ounce of usable cannabis was less than \$250 but at least \$200; and (4) up to \$60 per ounce, as established by the commission, if the average retail price of an ounce of usable cannabis is less than \$200. *L. 2021, c. 16.* Sales or transfers of usable cannabis by a cannabis cultivator to a licensed medical cannabis alternative treatment center for use in medical cannabis dispensing is not subject to the excise fee. *L. 2021, c. 16.* If a sale is subject to a municipal transfer tax or user tax it is exempt from the Sales Tax. *L. 2021, c. 16.*

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 nonresident decedents. No tax is imposed on transfers made to a husband, wife or child of a decedent. *L. 1985, c. 57.*

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

For decedents dying after December 31, 2001, but before January 1, 2018, the estate tax is computed in accordance with the federal estate tax as of December 31, 2001 or under a simplified method prescribed by the Director of the Division of Taxation, as the estate representative may elect. *L. 2002, c. 31.* The estate tax is due nine months after the death of the decedent.

The New Jersey Estate Tax exemption will increase from \$675,000 to \$2 million for the estates of resident decedents dying on or after January 1, 2017, but before January 1, 2018. For these estates, the New Jersey Estate Tax

no longer conforms to the provisions of the federal Internal Revenue Code of 1986 in effect on December 31, 2001, and instead follows the current federal Internal Revenue Code for determining the value of the estate which will be subject to New Jersey Estate Tax. *L. 2016, c. 57.*

New Jersey Estate Tax was reduced to zero percent and is not imposed on transfers of estates of resident decedents dying on or after January 1, 2018. *L. 2016, c. 57.*

APPENDIX II

SUMMARY OF THE RESOLUTION

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SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following is a general summary of certain provisions of the Authority's 1995 Transportation System Bond Resolution, adopted on June 15, 1995, as amended and supplemented (the "Bond Resolution"), including by the Thirty-Third Supplemental Transportation System Bond Resolution, adopted on December 15, 2022 (the "Thirty-Third Supplemental Resolution") and a Series Certificate of the Authority dated as of the date of sale of the 2023 Series A Bonds (the "2023 Series Certificate") (collectively, the Bond Resolution, the Thirty-Third Supplemental Resolution and the 2023 Series Certificate are referred to herein as the "Resolution"). The following summary is not to be considered a full statement of the terms of the Resolution and accordingly is qualified by reference thereto and is subject to the full text thereof. A copy of the Resolution may be obtained from the Trustee upon request. The section references shown below in parentheses are to particular sections of the Bond Resolution or the 2023 Series Certificate, as applicable.

Definitions.

The following are definitions in summary form of certain terms contained in the Resolution and used in this Official Statement and the appendices hereto:

Account or Accounts shall mean, as the case may be, each or all of the Accounts to be established pursuant to the Resolution.

Accountant's Certificate shall mean a certificate signed by an independent certified public accountant of recognized standing or a firm of independent certified public accountants of recognized standing, selected by the Authority, which may be the accountant or firm of accountants which regularly audits the books of the Authority.

Act shall mean the New Jersey Transportation Trust Fund Authority Act of 1984, constituting Chapter 73, Laws of New Jersey of 1984, as may be from time to time amended and supplemented, including without limitation the amendments effected by the 1995 Act.

Aggregate Debt Service for any period shall mean, as of any date of calculation, the sum of the amounts of Debt Service for such period with respect to all Series.

Authority shall mean the New Jersey Transportation Trust Fund Authority, a public body corporate and politic created and existing under and by virtue of the Act.

Authority Reserve Fund shall mean the Authority Reserve Fund established in the Resolution.

Authorized Newspaper shall mean a financial newspaper customarily published at least once a day for at least five days (other than legal holidays) in each calendar week, printed in the English language and of general circulation in the Borough of Manhattan, City and State of New York.

Authorized Officer of the Authority shall mean the Chairperson, Treasurer, Secretary or Executive Director of the Authority or any other person or persons designated by the Authority by resolution to act on behalf of the Authority under the Resolution. The designation of such person or persons shall be evidenced by a written certificate containing the specimen signature of such person or persons and signed on behalf of the Authority by its Chairperson.

Bond or Bonds shall mean any bonds, including Refunding Bonds, notes or Other Obligations (other than Subordinated Debt), authenticated and delivered under and pursuant to the Resolution; provided, however, that as used in Articles III and IV of the Resolution, the term “Bonds” shall not include Other Obligations.

Bondholder or Holder of Bonds or Holder shall mean any person who shall be the registered owner of any Bond or Bonds.

Bond Counsel shall mean any lawyer or firm of lawyers nationally recognized in the field of municipal finance and satisfactory to the Authority.

Bond Payment Obligations shall mean the Authority's obligation to pay the principal or Redemption Price of and interest on the Bonds.

Bond Registrar shall mean the Trustee and any other bank or trust company organized under the laws of any state of the United States of America or national banking association appointed by the Authority to perform the duties of Bond Registrar enumerated in the Resolution.

Build America Bonds shall mean the Authority's Transportation System Bonds, 2009 Series B, 2010 Series B and 2010 Series C.

Business Day shall mean any day that is not a Saturday, Sunday or legal holiday in the State or a day on which banking institutions chartered by the State or the United States are legally authorized or required to close.

Code shall mean the Internal Revenue Code of 1986, as amended.

Commissioner shall mean the Commissioner of the New Jersey Department of Transportation.

Debt Service shall mean, with respect to any Series and with respect to each Payment Date for such Series, the Principal and Redemption Price of and accrued interest coming due and payable on such Series on such Payment Date.

Debt Service Fund shall mean the Debt Service Fund established in the Resolution.

Debt Service Reserve Fund shall mean the Debt Service Reserve Fund established in the Resolution.

Debt Service Reserve Requirement shall mean, with respect to a Series of Bonds, the amount, if any, specified in the Supplemental Resolution or Series Certificate authorizing such Series of Bonds and meeting the then applicable criteria of any Rating Agency which will issue a rating with respect to such Series of Bonds.

Depository shall mean any bank, trust company, national banking association, savings and loan association, savings bank or other banking association selected by the Authority as a depository of moneys and securities held under the provisions of the Resolution, and may include the Trustee.

Event of Default shall have the meaning given to such term in Section 801 of the Resolution.

Federal Securities shall mean (i) any direct and general obligations of, or any obligations guaranteed by, the United States of America, including but not limited to interest obligations of the Resolution Funding Corporation or any successor thereof, (ii) any obligations of any state or political subdivision of a state (“Refunded Bonds”) which are fully secured as to principal and interest by an

irrevocable pledge of moneys or direct and general obligations of, or obligations guaranteed by, the United States of America, which moneys or obligations are segregated in trust and pledged for the benefit of the holders of the Refunded Bonds, and (iii) certificates of ownership of the principal or interest of direct and general obligations of, or obligations guaranteed by, the United States of America, which obligations are held in trust by a commercial bank which is a member of the Federal Reserve System.

Fiduciary or Fiduciaries shall mean the Trustee, the Depositories, the Paying Agents, the Bond Registrar or any or all of them, as may be appropriate.

Financing Facility shall mean any revolving credit agreement, agreement establishing a line of credit or letter of credit, reimbursement agreement, interest rate exchange agreement, insurance contract, surety bond, commitment to purchase or sell bonds, purchase or sale agreement, or commitments or other contracts or agreements, and other security agreements as approved by the Authority and by each Rating Agency which has issued or will issue a rating of the Bonds to which such Financing Facility relates, in connection with the issuance of Bonds or Subordinated Debt. The term "Financing Facility" shall include, without limitation, any Swap Agreement.

Financing Facility Payment Obligations shall mean all payment and reimbursement obligations of the Authority in connection with any Financing Facility.

Financing Facility Provider shall mean the issuer or provider of a Financing Facility.

Financing Facility Revenues shall mean all amounts received by the Authority or the Trustee pursuant to any Financing Facility.

Fiscal Year shall mean the fiscal year of the State which presently includes the twelve (12) month period commencing July 1 of each year and ending on the succeeding June 30.

Fitch shall mean Fitch Investors Service.

Fund or Funds shall mean, as the case may be, each or all of the Funds established in the Resolution.

Interest Payment Date shall mean, with respect to a Series of Bonds, each date set forth in the Supplemental Resolution or Series Certificate authorizing such Series of Bonds on which accrued interest on the Bonds of such Series shall be payable.

Investment Agreement shall mean an investment agreement with (i) a commercial bank or trust company or a national banking association in any case having a capital stock and surplus of more than \$100,000,000, or (ii) an insurance company with the highest rating provided by A.M. Best Company, or (iii) a corporation; provided that the credit of such commercial bank or trust company or national banking association, insurance company or corporation, as the case may be, is rated (or, in the case of a corporation, whose obligations thereunder are guaranteed by a corporation whose credit is rated) not lower than the rating category of Moody's and S&P required to maintain the rating then in effect or to obtain the rating to be obtained on the Bonds in respect of which such Investment Agreement is entered into, which agreement provides for the investment of funds held in the Funds and Accounts, which funds shall be collateralized by at least one hundred two percent (102%) in principal amount of Investment Securities, as the same may be amended from time to time.

Investment Securities shall mean and include any of the following securities, if and to the extent the same are at the time legal for investment of the Authority's funds, and in the case of investments of

funds in the Debt Service Reserve Fund, if any, which meet the then applicable requirements of each Rating Agency then maintaining a rating on the applicable Series of Reserve Fund Bonds for such investments:

- (i) Federal Securities;
- (ii) Bonds, debentures, notes or other evidences of indebtedness issued by any agency or instrumentality of the United States to the extent such obligations are guaranteed by the United States or by another such agency the obligations (including guarantees) of which are guaranteed by the United States;
- (iii) Bonds, debentures, notes or other evidences of indebtedness issued by any corporation chartered by the United States, including, but not limited to, Governmental National Mortgage Association, Federal Land Banks, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Federal Home Loan Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Tennessee Valley Authority, United States Postal Service, Farmers Home Administration, Resolution Funding Corporation, Export-Import Bank, Federal Financing Bank and Student Loan Marketing Association;
- (iv) Negotiable or non-negotiable certificates of deposit (or other time deposit arrangements) issued by any bank, trust company or national banking association, including a Fiduciary, which certificates of deposit shall be continuously secured or collateralized by obligations described in subparagraphs (i) or (ii) of this definition, which shall have a market value at all times at least equal to the principal amount of such certificates of deposit and shall be lodged with the Trustee, as custodian, by the bank, trust company or national banking association issuing such certificates of deposit;
- (v) Uncollateralized negotiable or non-negotiable certificates of deposit (or other time deposit arrangements) issued by any bank, trust company or national banking association, the unsecured obligations of which are rated in one of the two highest rating categories, without rating subcategories, by Moody's and S&P;
- (vi) Repurchase agreements collateralized by obligations described in subparagraphs (i), (ii) or (iii) of this definition with any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction, which has an uninsured, unsecured and unguaranteed obligation rated "Prime-I" or "A3" or better by Moody's and "A-I" or "A" or better by S&P, or any commercial bank with the above ratings, provided;
 - (a) a master repurchase agreement or specific written repurchase agreement governs the transaction, which characterizes the transaction as a purchase and sale of securities,
 - (b) the securities are held, free and clear of any lien, by the Trustee or an independent third party acting solely as agent for the Trustee, and such third party is (i) a Federal Reserve Bank, (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$75,000,000 or (iii) a bank approved in writing for such purpose by each Financing Facility Provider, if any, and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee,
 - (c) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 CFR 306.1 *et seq.* or 31 CFR 350.0 *et seq.* or a successor provision in such securities is created for the benefit of the Trustee,
 - (d) the repurchase agreement has a term of six months or less, or the Trustee will value the collateral securities no less frequently than monthly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two Business Days of such valuation,

(e) the repurchase agreement matures on or before a Payment Date (or, if held in a Fund other than the Debt Service Fund or the Debt Service Reserve Fund, other appropriate liquidation period), and

(f) the fair market value of the securities in relation to the amount of the repurchase obligation is equal to the collateral levels established by a Rating Agency for the rating assigned by the Rating Agency to the seller.

(vii) Banker's acceptances, eurodollar deposits and certificates of deposit (in addition to the certificates of deposit provided for by subparagraphs (iv) and (v) above) of the domestic branches of foreign banks having a capital and surplus of \$1,000,000,000 or more, or any bank or trust company organized under the laws of the United States of America or Canada, or any state or province thereof, having capital and surplus, in the amount of \$1,000,000,000; provided that the aggregate maturity value of all such banker's acceptances and certificates of deposit held at any time as investments of Funds under the Resolution with respect to any particular bank, trust company, or national association shall not exceed 5% of its capital and surplus; and provided further than any such bank, trust company, or national association shall be rated in one of the two highest rating categories, without regard to rating subcategories, by Moody's and S&P;

(viii) Other obligations of the United States of America or any agency thereof which may then be purchased with funds belonging to the State of New Jersey or which are legal investments for savings banks in the State of New Jersey;

(ix) Deposits in the New Jersey Cash Management Fund;

(x) Obligations of any state, commonwealth or possession of the United States or a political subdivision thereof or any agency or instrumentality of such a state, commonwealth, possession or political subdivision, provided that at the time of their purchase such obligations are rated in either of the two highest rating categories by Moody's and S&P;

(xi) Commercial paper with a maturity date not in excess of 270 days rated by the Rating Agencies at least equal to the rating assigned by the Rating Agencies to the applicable Series of Bonds and in no event lower than the "A" category established by a Rating Agency (which may include subcategories indicated by plus or minus or by numbers) at the time of such investment, issued by an entity incorporated under the laws of the United States or any state thereof;

(xii) Shares of a diversified open-end management investment company as defined in the Investment Company Act of 1940, which is a money market fund, which is then rated in any of the three highest rating categories by each Rating Agency which is then rating the Bonds or money market accounts of the Trustee or any bank or trust company organized under the laws of the United States or any state thereof which has a combined capital and surplus of not less than \$50,000,000;

(xiii) Investment contracts (a) providing for the future purchase of securities of the type described in (i), (ii), (iii) and (viii) above, which contracts have been approved for sale by a national securities exchange and all regulatory authorities having jurisdiction or (b) the obligor under which or the guarantor thereof shall have a credit rating such that its long term debt is rated at least "A +" by S&P if the Bonds are then rated by such Rating Agency and at least "A1" by Moody's if the Bonds are then rated by such Rating Agency; and

(xiv) Investment Agreements.

Maximum Interest Rate shall mean, with respect to any particular Variable Interest Rate Bond, a numerical rate of interest, which shall be set forth in the Supplemental Resolution or Series Certificate

authorizing such Variable Interest Rate Bond, that shall be the maximum rate of interest such Variable Interest Rate Bond may at any time bear.

Moody's shall mean Moody's Investors Service.

1995 Act shall mean P.L. 1995, c. 108, which was enacted on May 30, 1995.

Opinion of Counsel or **Opinion** shall mean an opinion signed by an attorney or firm of attorneys of recognized standing in the field of law relating to municipal bonds (who may be general, special or bond counsel to the Authority).

Option Bonds shall mean Bonds which by their terms may be tendered by and at the option of the Holders thereof for payment by the Authority prior to the stated maturity thereof, or the maturities of which may be extended by and at the option of the Holder thereof.

Other Obligations shall mean bank loan agreements, lines of credit and other security agreements, and any other form of indebtedness which the Authority is authorized to enter into or obtain to provide direct payment of any costs which the Authority is authorized to pay pursuant to the Act.

Outstanding when used with reference to Bonds, shall mean, as of any date, Bonds theretofore or thereupon being authenticated and delivered under the Resolution except:

- (i) Bonds cancelled by the Trustee at or prior to such date;
- (ii) Bonds (or portions of Bonds) for the payment or redemption of which moneys, equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, shall be held in trust under the Resolution and set aside for such payment or redemption (whether at- or prior to the maturity or redemption date), provided that if such Bonds (or portions of Bonds) are to be redeemed, notice of such redemption shall have been given or provisions satisfactory to the Trustee shall have been made for the giving of such notice as provided in the Resolution;
- (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Resolution;
- (iv) Bonds deemed to have been paid as provided in the Resolution; and
- (v) Option Bonds deemed tendered in accordance with the provisions of the Supplemental Resolution or Series Certificate authorizing such Option Bonds on the applicable adjustment or conversion date, if interest thereon shall have been paid through such applicable date and the purchase price thereof shall have been paid or amounts are available for such payment as provided in the Resolution.

Paying Agent shall mean any bank or trust company organized under the laws of any state of the United States of America or any national banking association designated as paying agent for the Bonds of any Series, and its successors hereafter appointed in the manner provided in the Resolution.

Payment Date shall mean each Interest Payment Date and each date upon which any principal or Redemption Price of any Bonds Outstanding shall become due and payable.

Pledged Property shall mean (a) with respect to the Bond Payment Obligations and, to the extent provided in any Supplemental Resolution or Series Certificate authorizing a Series which is to be secured, in whole or in part, by, or payable, in whole or in part, from, a Financing Facility, the applicable Financing Facility Payment Obligations, the Revenue Contracts, the Revenues and Funds, other than the Debt Service Reserve Fund and the Rebate Fund, including Investment Securities held in any such Fund hereunder,

together with all proceeds and revenues of the foregoing and all of the Authority's right, title and interest in and to the foregoing, and all moneys, securities or funds pledged for the payment of the Bonds in accordance with the terms and provisions of the Resolution, (b) with respect to any Series of Bonds in connection with which the Authority has obtained a Financing Facility, and to the extent provided in a Supplemental Resolution or Series Certificate, the applicable Financing Facility Revenues and all moneys from time to time held in any applicable subaccount within the Debt Service Fund and (c) with respect to any Subordinated Debt, the amounts, if any, on deposit from time to time in the Subordinated Debt Fund and available for such payment. In addition, all subsidy or other amounts received or to be received by the Authority from the United States Treasury in accordance with the Code in connection with the interest payable on certain Build America Bonds shall constitute Pledged Property for all purposes of the Resolution.

Rating Agency shall mean, to the extent applicable, S&P and any successor thereto, if it has assigned a rating to any Bonds, Moody's and any successor thereto, if it has assigned a rating to any Bonds, Fitch and any successor thereto, if it has assigned a rating to any Bonds or any other nationally recognized bond rating agency and any successor thereto if it has assigned a rating to any Bonds.

Rebate Fund shall mean the Rebate Fund established in the Resolution.

Record Date shall mean with respect to an Interest Payment Date for a particular Series of Bonds, unless otherwise provided by the Supplemental Resolution or Series Certificate authorizing such Series, the fifteenth day next preceding such Interest Payment Date.

Redemption Price shall mean, with respect to any Bond, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to such Bond or the Resolution.

Refunding Bonds shall mean all Bonds, whether issued in one or more Series, authenticated and delivered on original issuance pursuant to Section 205 of the Resolution, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Resolution.

Related Swap Bonds shall mean, with respect to and during the term of any Swap Agreement, the Bonds to which such Swap Agreement relates, as specified in the applicable Supplemental Resolution or Series Certificate authorizing such Swap Agreement.

Related Swap Bond Payment Obligations shall mean, with respect to any Related Swap Bonds, (i) that portion of the interest on such Bonds payable from Swap Revenues as set forth in the applicable Supplemental Resolution or Series Certificate, and (ii) any Swap Termination Payments payable to the Holders of such Related Swap Bonds or to be used to purchase a substitute Swap Agreement.

Reserve Fund Bond or Bonds shall mean any Bond or Bonds which, pursuant to the Supplemental Resolution authorizing such Bond or Bonds, the Authority has established and pledged an Account in the Debt Service Reserve Fund to the payment of the principal and Redemption Price of, and interest on, such Bond or Bonds.

Resolution shall mean the 1995 Transportation System Bond Resolution as from time to time amended or supplemented by Supplemental Resolutions and Series Certificates in accordance with the terms thereof.

Revenue Contracts shall mean the State Contract, the Toll Road Authority Contracts or any assignment thereof, or any other agreement of the Authority of whatever nature.

Revenues shall mean (i) all amounts appropriated and paid to the Authority from the Transportation Trust Fund Account - Subaccount for Debt Service for Prior Bonds in the State General Fund pursuant to the Act, (ii) any other amounts appropriated and paid by the State to the Authority or received from any other source by the Authority and pledged by the Authority as security for the payment of Bonds, and (iii) interest received or to be received on any moneys or securities held pursuant to the Resolution and paid or required to be paid into the Transportation Improvement Fund); provided, however, that the term “Revenues” shall not include Financing Facility Revenues or “Revenues” as defined in any other resolution of the Authority. In addition, all subsidy or other amounts received or to be received by the Authority from the United States Treasury in accordance with the Code in connection with the interest payable on certain Build America Bonds shall constitute Revenues for all purposes of the Resolution.

S&P shall mean Standard & Poor's Corporation.

Series shall mean all of the Bonds authenticated and delivered on original issuance and identified pursuant to the Supplemental Resolution authorizing such Bonds as a separate Series of Bonds, and any Bonds thereafter authenticated and delivered in lieu of or in-substitution for such Bonds pursuant to the Resolution, regardless of variations in maturity, interest rate, redemption provisions or other provisions.

Series Certificate shall mean a certificate, including the 2023 Series Certificate, executed by an Authorized Officer of the Authority making certain determinations in connection with the issuance of a Series of Bonds or Subordinated Debt pursuant to the Supplemental Resolution providing for, among other items, the issuance of such Series of Bonds or Subordinated Debt. Each Series Certificate, upon execution and delivery, shall be deemed to be a part of the applicable Supplemental Resolution.

State shall mean the State of New Jersey.

State Contract shall mean the contract to be entered into among the Treasurer, the Commissioner and the Authority prior to the issuance of the first Series of Bonds under the Resolution, together with any and all amendments and supplements thereto, and any other contract or contracts entered into by the Authority and the State or officers of the State pursuant to the Act which contract or contracts provide) among other things, for the credit of amounts to the Transportation Trust Fund Account - Subaccount for Debt Service for Prior Bonds and for payment, subject to appropriation, to the Authority of the amounts so credited pursuant to the Act.

State Transportation System Costs shall mean any and all purposes for which the Authority is authorized to issue Bonds and Subordinated Debt pursuant to the Act.

Subordinated Debt shall mean indebtedness issued pursuant to and complying with the provisions of Section 511 of the Resolution.

Subordinated Debt Fund shall mean the Subordinated Debt Fund established in the Resolution.

Supplemental Resolution shall mean any resolution supplemental to or amendatory of the Resolution adopted by the Authority in accordance with the Resolution.

Swap Agreement shall mean any interest rate swap, cap or collar or other arrangement between the Authority and one or more financial institutions providing for the transfer or mitigation of interest rate risks either generally or under specific contingencies.

Swap Payment Obligations shall mean, for any period of time and with respect to any Related Swap Bonds, all net amounts payable by the Authority (including Swap Termination Payments payable by the Authority) under any Swap Agreement in respect of such Related Swap Bonds.

Swap Provider shall mean the provider of any Swap Agreement.

Swap Revenues shall mean all amounts received by the Authority or the Trustee pursuant to any Swap Agreement, including without limitation any Swap Termination Payment.

Swap Revenues Subaccount shall mean the Swap Revenues Subaccount within the Debt Service Fund established in the Resolution.

Swap Termination Payment shall mean, with respect to any Swap Agreement, any settlement amount payable by the applicable Swap Provider or the Authority by reason or on account of the early termination of such Swap Agreement. The term “Swap Termination Payment” shall not include net unpaid amounts which would have been payable by the Swap Provider or the Authority pursuant to the terms of the applicable Swap Agreement irrespective of the early termination of such Swap Agreement.

Toll Road Authority Contracts shall mean (i) the Agreement between the New Jersey Turnpike Authority and the Treasurer, acting on behalf of the State, dated April 17, 1984, and (ii) the Agreement between the New Jersey Expressway Authority and the New Jersey Department of Transportation, dated November 17, 1983, as each such Agreement has been or may be amended or supplemented, or superseded and replaced in its entirety by subsequent agreement, and any assignments thereof.

Transportation Improvement Fund shall mean the Transportation Improvement Fund established in the Resolution.

Treasurer shall mean the Treasurer of the State of New Jersey.

Trustee shall mean the Trustee to be appointed pursuant to the Series Certificate authorizing the first Series of Bonds to be issued under the Resolution, and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the Resolution.

Variable Interest Rate shall mean a variable interest rate to be borne by a Series of Bonds or anyone or more maturities within a Series of Bonds. The method of computing such variable interest rate shall be as specified in the Supplemental Resolution or Series Certificate authorizing such Series of Bonds.

Variable Interest Rate Bonds for any period of time, shall mean Bonds which during such period bear a Variable Interest Rate, provided that Bonds the interest rate on which shall have been fixed for the remainder of the term thereof shall no longer be Variable Interest Rate Bonds.

(Section 101 of the Bond Resolution)

General Provisions for Issuance of Bonds.

All (but not less than all) the Bonds of each Series shall be executed by the Authority for issuance under the Resolution and, except as otherwise provided in any Supplemental Resolution or Series Certificate authorizing Other Obligations, delivered to the Trustee and thereupon shall be authenticated by the Trustee and by it delivered to the Authority or upon its order, but only upon the receipt by the Trustee, or in the case of Other Obligations provision by the Authority, of:

(1) A copy of the Supplemental Resolution authorizing such Bonds, and a copy of the Series Certificate, if any, relating to such Bonds, each certified by an Authorized Officer of the Authority;

(2) An Opinion of Bond Counsel to the effect that (i) the Authority has the right and power to adopt the Resolution, and the Resolution has been duly and lawfully adopted by the Authority, is in full force and effect and is valid and binding upon the Authority in accordance with its terms, and no other authorization for the Resolution is required; (ii) the Resolution creates the valid pledge which it purports to create of the Revenues, moneys, securities and funds and other Pledged Property including with respect to Reserve Fund Bonds the Account in the Debt Service Reserve Fund held or set aside under the Resolution for such Series of Bonds, subject to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution; and (iii) the Bonds of such Series are valid and binding obligations of the Authority as provided in the Resolution and entitled to the benefits of the Resolution and of the Act as amended to the date of such Opinion, and such Bonds have been duly and validly authorized and issued in accordance with law, including the Act as amended to the date of such Opinion, and in accordance with the Resolution; provided, that such Opinion may take exception as to the effect of, or for restrictions or limitations imposed by or resulting from, bankruptcy, insolvency, debt adjustment, moratorium, reorganization or other similar laws, judicial decisions and principles of equity affecting creditors' rights generally and judicial discretion and the valid exercise of the sovereign police powers of the State of New Jersey and of the constitutional power of the United States of America and may state that no opinion is being rendered as to the availability of any particular remedy;

(3) A written order as to the delivery of such Bonds, signed by an Authorized Officer of the Authority;

(4) In the case of each Series of Reserve Fund Bonds, the amount, if any, necessary for deposit in the Account established for such Series in the Debt Service Reserve Fund so that such Account shall equal the Debt Service Reserve Requirement for such Series of Bonds, and any amounts necessary to cure any deficiencies in any other Account in the Debt Service Reserve Fund at the time of issuance of such Bonds;

(5) A certificate of an Authorized Officer of the Authority stating that the Authority is not, or upon the issuance of such Series of Bonds will not be, in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Resolution;

(6) With respect to each Series of Bonds, a certificate of an Authorized Officer of the Authority stating that the issuance of such Series of Bonds will not result in the incurrence of debt by the Authority in the applicable Fiscal Year in excess of the amount of debt permitted to be incurred by the Authority in such Fiscal Year pursuant to the Act; and

(7) Such further documents, moneys, securities and evidences of deposit of funds with the Trustee as are required by the provisions of the Bond Resolution or the Supplemental Resolution or Series Certificate authorizing such Series of Bonds.

(Section 202 of the Bond Resolution)

Refunding Bonds.

One or more Series of Refunding Bonds may be issued at any time to refund Outstanding Bonds of one or more Series or one or more maturities within a Series or any Bonds of one or more maturities within one or more Series. Refunding Bonds shall be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding (including, without limitation, the payment of the costs of issuance of such Refunding Bonds) and to make the deposits in the Funds and Accounts under the Resolution required by the provisions of the Supplemental Resolution or Series Certificate authorizing such Refunding Bonds.

Refunding Bonds of each Series shall be authenticated and delivered by the Trustee only upon receipt by the Trustee (in addition to the documents otherwise required by the Resolution) of:

(1) Instructions to the Trustee, satisfactory to it, to give due notice of redemption, if applicable, of all the Bonds to be refunded on a redemption date or dates specified in such instructions;

(2) If the Bonds to be refunded are not by their terms subject to redemption or will not be redeemed within the next succeeding sixty (60) days, instructions to the Trustee, satisfactory to it, to mail the notice provided for in the Resolution to the Holders of the Bonds being refunded;

(3) Either (i) moneys in an amount sufficient to effect payment at the applicable Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds to the redemption date, which moneys shall be held by the Trustee or any one or more of the Paying Agents in a separate account irrevocably in trust for and assigned to the respective Holders of the Bonds to be refunded, or (ii) Federal Securities in such principal amounts, of such maturities, bearing such interest, and otherwise having such terms and qualifications and any moneys, as shall be necessary to comply with the provisions of the Resolution, which Federal Securities and moneys shall be held in trust and used only as provided in the Resolution; and

(4) Such further documents and moneys as are required by the provisions of the Resolution or any Supplemental Resolution or Series Certificate authorizing such Refunding Bonds.

The proceeds, including accrued interest, of the Refunding Bonds of each Series shall be applied simultaneously with the delivery of such Refunding Bonds for the purposes of making deposits in such Funds and Accounts under the Resolution as shall be provided by the Supplemental Resolution or Series Certificate authorizing such Series of Refunding Bonds and shall be applied to the refunding purposes thereof in the manner provided in said Supplemental Resolution or Series Certificate.

(Section 205 of the Bond Resolution)

Adjustment of Sinking Fund Installments Upon Redemption.

Upon any purchase or redemption (other than mandatory sinking fund redemption) of Bonds of any Series and maturity for which sinking fund redemptions provisions shall have been established, there shall be credited toward each such sinking fund installment thereafter to become due, unless otherwise directed by the Authority, an amount bearing the same ratio to such sinking fund installment as the total principal

amount of such Bonds so purchased or redeemed bears to the total amount of all such sinking fund installments so credited.

(Section 407 of the Bond Resolution)

The Pledge Effected by the Resolution.

The Bonds are special obligations of the Authority payable solely from the Pledged Property. In addition, Reserve Fund Bonds, if any, are payable from the Debt Service Reserve Fund. There is pledged and assigned as security for the payment of the Authority's Bond Payment Obligations and, to the extent provided in the Resolution and in the Supplemental Resolution or Series Certificate authorizing any Series of Bonds, the Authority's Financing Facility Payment Obligations in accordance with the priorities set forth in the Resolution and the Supplemental Resolution or Series Certificate authorizing such Series of Bonds, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution, all of the Pledged Property and (a) additionally with respect to each Series of Reserve Fund Bonds, if any, the Account in the Debt Service Reserve Fund established for such Series of Reserve Fund Bonds, and (b) with respect to each Series of Bonds with respect to which the Authority has obtained a Financing Facility, the applicable Financing Facility and Financing Facility Revenues.

All Pledged Property and, if any, the Debt Service Reserve Fund and the Financing Facility Revenues shall immediately be subject to the lien of the pledge without any physical delivery thereof or further act, and the lien of the pledge shall be valid and binding as against all persons having claims of any kind in tort, contract or otherwise against the Authority, irrespective of whether such persons have notice thereof.

Nothing contained in the foregoing paragraphs shall be construed as limiting any authority granted to the Authority elsewhere in the Resolution to issue Subordinated Debt under the Resolution or any other resolution of the Authority or shall be deemed a limitation upon the authority of the Authority to issue bonds, notes or other obligations under the Act secured by other income and funds other than the Pledged Property and the Debt Service Reserve Fund, including, without limitation, bonds, notes or other obligations secured by federal or State grants.

Notwithstanding the pledge effected by the Resolution or any provision of the Resolution, all amounts payable under the State Contract by the State or Treasurer shall be subject to and dependent upon appropriations made from time to time for such purposes by the New Jersey State Legislature.

(Section 501 of the Bond Resolution)

Establishment of Funds and Accounts.

The Resolution establishes the following Funds and Accounts:

- (1) Transportation Improvement Fund, to be held by the Authority;
- (2) Debt Service Fund, to be held by the Trustee;
- (3) Debt Service Reserve Fund;
- (4) Subordinated Debt Fund, to be held by the Trustee;
- (5) Authority Reserve Fund, to be held by the Authority; and

(6) Rebate Fund, to be held by the Trustee.

(Section 502 of the Bond Resolution)

Transportation Improvement Fund.

There shall be paid into the Transportation Improvement Fund the amounts required to be so paid by the provisions of the Resolution or any Supplemental Resolution or Series Certificate, and there may be paid into the Transportation Improvement Fund, at the option of the Authority, any moneys received by the Authority from any source, unless required to be otherwise applied as provided by the Resolution or any Supplemental Resolution or Series Certificate. Amounts in the Transportation Improvement Fund shall be applied to pay State Transportation System Costs.

All Revenues shall be promptly deposited by the Authority upon receipt thereof into the Transportation Improvement Fund. All amounts deposited in the Transportation Improvement Fund shall be used and applied by the Authority in accordance with the Act, the Resolution and any Supplemental Resolution or Series Certificate.

(Section 503 of the Bond Resolution)

Payments into Certain Funds.

On or before each Payment Date with respect to each Series of Bonds, the Authority shall pay, credit or transfer from the Transportation Improvement Fund to the Trustee the following amounts to be applied in the following order of priority:

(a) for deposit to the Debt Service Fund, the amount, if any, required so that the balance in said Fund shall equal the sum of the amounts of Debt Service on all Series of Bonds coming due on such Payment Date; and

(b) for deposit to the Debt Service Reserve Fund, the amount, if any, required so that the balance in said Fund shall equal the sum of the amounts of Debt Service Reserve Requirement on all Reserve Fund Bonds for such Payment Date.

The Authority shall pay, credit or transfer from the Transportation Improvement Fund to the Trustee for deposit into the Debt Service Fund the amount of any Financing Facility Payment Obligations on or before the due dates thereof.

Subject and subordinate at all times to the payments, credits or transfers required pursuant to the foregoing paragraphs, the Authority shall pay, credit or transfer from the Transportation Improvement Fund to the Trustee for deposit into the Subordinated Debt Fund the amount of any principal, prepayment or redemption price, interest or other amounts payable in connection with any Subordinated Debt on or before the due dates thereof.

There shall be paid into the Authority Reserve Fund the amounts required to be so paid by the provisions of the Resolution or any Supplemental Resolution or Series Certificate.

The proceeds of each Series of Bonds issued under the Resolution shall be paid or deposited into such Funds or Accounts as shall be specified in the Supplemental Resolution or Series Certificate authorizing such Series of Bonds.

All Financing Facility Revenues shall be deposited in the Debt Service Fund and applied as provided in the Supplemental Resolution or Series Certificate pursuant to which the applicable Financing Facility was entered into or obtained.

The Authority and the Trustee shall transfer to the Rebate Fund such amounts, from such Funds and Accounts and at such times as shall be specified in each arbitrage and tax compliance or similar certificate executed by the Authority in connection with the issuance of Bonds or Subordinated Debt or as otherwise advised in writing by Bond Counsel.

(Section 505 of the Bond Resolution)

Debt Service Fund.

The Trustee shall payout of the Debt Service Fund to the respective Paying Agents (i) on or before each Interest Payment Date for any of the Bonds, the amount required for the interest payable on such date; (ii) on or before the date when the principal of any Bonds shall become due, the amount of principal coming due on such date; and (iii) on or before any redemption date for the Bonds, the amount required for the payment of the Redemption Price of and interest on the Bonds then to be redeemed. In the case of Variable Interest Rate Bonds the Authority shall furnish the Trustee with a certificate setting forth the amount to be paid on such Bonds on each Interest Payment Date, and such certificate shall be furnished on or prior to the Record Date with respect to any Interest Payment Date. Such amounts shall be applied by the Paying Agents on and after the due dates thereof. The Trustee shall also payout of the Debt Service Fund the accrued interest included in the purchase price of Bonds purchased for retirement.

Amounts may be deposited by the Authority, in its sole discretion, in the Debt Service Fund with respect to the Bonds of any Series and maturity to be applied by the Trustee, if so directed by the Authority, on the date specified by the Authority, which date shall be at least twenty- five days (or such shorter period as shall be acceptable to the Trustee or authorized in the applicable Supplemental Resolution or Series Certificate) prior to the maturity date of any Bonds of such Series, to (i) the purchase of Bonds of such Series and maturity or (ii) the redemption at the applicable Redemption Price of such Bonds, if then redeemable by their terms. All purchases of any Bonds pursuant to this paragraph shall be made at prices not exceeding the applicable Redemption Price of such Bonds plus accrued interest, and such purchases shall be made by the Trustee as directed in writing from time to time by the Authority. All expenses in connection with the purchase or redemption of Bonds shall be paid by the Authority from the Authority Reserve Fund.

The amount, if any, deposited in the Debt Service Fund from the proceeds of each Series of Bonds shall be set aside in such Fund and applied to the payment of interest on the Bonds of such Series (or Refunding Bonds issued to refund such Bonds) as the same become due and payable.

In the event of the refunding of any Bonds, the Trustee shall, if the Authority so directs, withdraw from the Debt Service Fund all, or any portion of, the amounts accumulated therein with respect to Debt Service on the Bonds being refunded and deposit such amounts with itself as Trustee to be held for the payment of the principal or Redemption Price, if applicable, of and interest on the Bonds being refunded; provided that such withdrawal shall not be made unless immediately thereafter the Bonds being refunded shall be deemed to have been paid pursuant to the Resolution.

The Trustee shall establish within the Debt Service Fund a separate Account for each Series of Bonds. In addition, if provided in the Supplemental Resolution or Series Certificate authorizing any Series of Bonds with respect to which the Authority or the Trustee enters into or obtains a Financing Facility, the Trustee shall establish separate sub accounts within the Account established for the Bonds of such Series

in the Debt Service Fund for the receipt and/or application of Financing Facility Revenues and the payment of the applicable Financing Facility Payment Obligations.

(Section 506 of the Bond Resolution)

Debt Service Reserve Fund.

The Trustee shall establish within the Debt Service Reserve Fund a separate Account for each Series of Reserve Fund Bonds, if any. If on any Payment Date with respect to any Series of Reserve Fund Bonds, payment in full of the principal or Redemption Price of and interest on such Bonds coming due on such Payment Date has not been made or provided for after giving effect to the transfers to the Debt Service Fund provided for in the Resolution, the Trustee shall forthwith withdraw from the Account established for such Reserve Fund Bonds in the Debt Service Reserve Fund an amount which, together with amounts on deposit in the Debt Service Fund available for such payment, shall be sufficient to make such payment in full, and such amount so withdrawn shall be transferred to the appropriate Paying Agent for application to such payment.

Whenever the amount in the Debt Service Reserve Fund, together with the amount in the Debt Service Fund is sufficient to pay in full all Outstanding Bonds in accordance with their terms (including principal or applicable Redemption Price and interest thereon), the funds on deposit in the Debt Service Reserve Fund shall be transferred to the Debt Service Fund and shall be available to pay all Outstanding Bonds.

In lieu of the required transfers to the Debt Service Reserve Fund, the Authority may cause to be deposited into the Debt Service Reserve Fund a surety bond or an insurance policy for the benefit of the holders of the Reserve Fund Bonds or a letter of credit in an amount equal to the difference between the Debt Service Reserve Requirement and the sums then on deposit in the Debt Service Reserve Fund, if any. The surety bond, insurance policy or letter of credit shall be payable (upon the giving of notice as required thereunder) on any due date on which moneys will be required to be withdrawn from the Debt Service Reserve Fund and applied to the payment of principal or Redemption Price of or interest on any Reserve Fund Bonds and such withdrawal cannot be met by amounts on deposit in the Debt Service Reserve Fund or provided from any other Fund under the Resolution. The insurer providing such surety bond or insurance policy shall be (i) an insurer whose municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bond issues, results in such issues being rated by the Rating Agencies the ratings then assigned or to be assigned to the applicable Series of Reserve Fund Bonds or necessary for such Series of Reserve Fund Bonds to obtain such ratings, or (ii) any insurer which holds the highest policy holder rating accorded insurers by A.M. Best & Co. (or any comparable service) and that policy holder rating accorded such insurers by each Rating Agency then maintaining a rating on the applicable Series of Reserve Fund Bonds which is necessary to obtain or maintain the ratings assigned or to be assigned to the applicable Series of Reserve Fund Bonds. The letter of credit issuer shall be a bank or trust company which is rated, or the letter of credit itself shall be rated, in the rating category of the Rating Agencies as shall be necessary to maintain or obtain, as the case may be, the ratings then assigned or to be assigned to the applicable Series of Reserve Fund Bonds. If a disbursement is made pursuant to a surety bond, an insurance policy or a letter of credit provided pursuant to this paragraph, the Authority shall be obligated either (i) to reinstate the maximum limits of such surety bond, insurance policy or letter of credit or (ii) to deposit into the Debt Service Reserve Fund, funds in the amount of the disbursement made under such surety bond, insurance policy or letter of credit, or a combination of such alternatives, as shall provide that the amount in the Debt Service Reserve Fund equals the Debt Service Reserve Requirement. In the event that the rating attributable to any insurer providing any surety bond or insurance policy or any bank or trust company providing any letter of credit held as above provided in the Debt Service Reserve Fund shall fall below that required as above provided, the Authority shall use its best efforts to replace, as

soon as possible, such surety bond, insurance policy or letter of credit with a surety bond, insurance policy or letter of credit which shall meet the above provided requirements.

In the event of the refunding of any Reserve Fund Bonds, the Trustee shall, if the Authority so directs, withdraw from the Account established for such Bonds in the Debt Service Reserve Fund all, or any portion of, the amounts accumulated therein with respect to the Reserve Fund Bonds being refunded and deposit such amounts with itself as Trustee to be held for the payment of the principal or Redemption Price, if applicable, of and interest on the Reserve Fund Bonds to be refunded; provided that such withdrawal shall not be made unless (a) immediately thereafter the Reserve Fund Bonds to be refunded shall be deemed to have been paid pursuant to the Resolution, and (b) the amount remaining in the Debt Service Reserve Fund, after giving effect to the issuance of the Refunding Bonds and the disposition of the proceeds thereof, shall not be less than the Debt Service Reserve Requirement on all Reserve Fund Bonds which are not being refunded.

(Section 507 of the Bond Resolution)

Subordinated Debt Fund.

Subject to the following paragraph, the Trustee as directed by the Authority shall apply amounts in the Subordinated Debt Fund to the payment of the principal or redemption or prepayment price of and interest on each issue of Subordinated Debt and reserves therefor in accordance with the provisions of, and subject to the priorities and limitations and restrictions provided in, the Supplemental Resolution or other resolution or debt instrument authorizing each issue of Subordinated Debt.

If on any Payment Date for any Series of Bonds, the amount on deposit in the Debt Service Fund shall be less than the Debt Service coming due on such Payment Date with respect to such Series of Bonds after giving effect to the transfer to the Debt Service Fund from the Authority Reserve Fund as provided for in the Resolution, upon direction by the Authority, the Trustee shall forthwith transfer from the Subordinated Debt Fund for deposit in the Debt Service Fund the amount necessary (or all moneys in the Subordinated Debt Fund, if necessary) to make up such deficiency.

If at any time the amount on deposit in the Debt Service Reserve Fund shall be less than the Debt Service Reserve Requirement on all Series of Reserve Fund Bonds after giving effect to the transfer to the Debt Service Reserve Fund provided for in the Resolution, if any, and the amounts on deposit in the Subordinated Debt Fund are not needed for transfer to the Debt Service Fund pursuant to the foregoing paragraph, the Trustee shall forthwith transfer from the Subordinated Debt Fund for deposit in the Debt Service Reserve Fund the amount necessary (or all moneys in said Subordinated Debt Fund, if necessary) to make up such deficiency.

(Section 508 of the Bond Resolution)

Authority Reserve Fund.

Amounts credited to the Authority Reserve Fund shall be applied from time to time by the Authority to the payment of its operating expenses. In addition, to the extent not required to be applied to its operating expenses, amounts on deposit in the Authority Reserve Fund may be (i) transferred to the Transportation Improvement Fund in such amounts as may be determined by resolution of the Authority or (ii) used for the purchase or redemption of any Bonds, including without limitation Option Bonds tendered for purchase and not remarketed, or purchase or redemption of Subordinated Debt, and to provide for expenses in connection with the purchase or redemption of any Bonds or any reserves which the Authority determines shall be required for such purpose.

If on any Payment Date with respect to any Series of Bonds the amount on deposit in the Debt Service Fund shall be less than the Debt Service Requirement with respect to such Series and with respect to such Payment Date, the Authority shall forthwith transfer from the Authority Reserve Fund to the Trustee for deposit in the Debt Service Fund the amount necessary (or all moneys in said Authority Reserve Fund, if necessary) to make up such deficiency.

If at any time the amount on deposit in the Debt Service Reserve Fund shall be less than the Debt Service Reserve Requirement on all Series of Reserve Fund Bonds, and the amounts on deposit in the Authority Reserve Fund are not needed for transfer to the Debt Service Fund pursuant to the foregoing paragraph, the Authority shall forthwith transfer from the Authority Reserve Fund to the Trustee for deposit in the Debt Service Reserve Fund the amount necessary (or all moneys in said Authority Reserve Fund, if necessary) to make up such deficiency.

(Section 509 of the Bond Resolution)

Rebate Fund.

The Authority and the Trustee shall deposit amounts in the Rebate Fund, and the Trustee shall apply such amounts to make payments to the United States pursuant to Section 148 of the Code, all as provided in the arbitrage and tax compliance or similar certificates delivered in connection with the issuance of each Series of Bonds and Subordinated Debt or as otherwise advised in writing by Bond Counsel.

(Section 509A of the Bond Resolution)

Subordinated Debt.

The Authority may, at any time, or from time to time, issue Subordinated Debt pursuant to a Supplemental Resolution or any other resolution of the Authority for any of its corporate purposes payable out of, and which may be secured by a pledge of, the Revenues as may from time to time be available for deposit to and deposited in the Subordinated Debt Fund for the purpose of payment thereof; provided, however, that such pledge shall be, and shall be expressed to be, subordinate in all respects to the pledge created by the Resolution as security for the Bonds and any Financing Facility Payment Obligations which are secured on a parity with the Bonds.

The Authority may also, at any time or from time to time, issue Subordinated Debt to refund any Subordinated Debt issued as provided in Section 511 of the Bond Resolution or to refund Outstanding Bonds of one or more Series or one or more maturities within a Series. Such Subordinated Debt issued for refunding purposes may be payable out of, and may be secured by a pledge of, the Revenues as may from time to time be available therefor, provided that any such payment or pledge shall be, and shall be expressed to be, subordinate and junior in all respects to the pledge and lien created under the Resolution as security for the Bonds.

The resolution, indenture or other instrument securing or evidencing each issue of Subordinated Debt shall contain provisions (which shall be binding on all holders of such Subordinated Debt) not more favorable to the holders of such Subordinated Debt than the following:

(a) In the event of any insolvency or bankruptcy proceedings, and any receivership, liquidation, reorganization or other similar proceedings in connection therewith, relative to the Authority or to its creditors, as such, or to its property, and in the event of any proceedings for voluntary liquidation, dissolution or other winding up of the Authority, whether or not involving insolvency or bankruptcy, the Holders of all Bonds then Outstanding shall be entitled to receive payment in full of all principal, premium, if any, and interest on all such Bonds before the holders of the Subordinated Debt are entitled to receive

any payment from the trust estate under the Resolution consisting of the Revenues and Funds held under the Resolution (referred to in Section 511 of the Bond Resolution as the “Trust Estate”) on account of principal (and premium, if any) and interest upon the Subordinated Debt.

(b) In the event that any issue of Subordinated Debt is declared due and payable before its expressed maturity because of the occurrence of an event of default (under circumstances when the provisions of (a) above shall not be applicable), the Holders of all Bonds Outstanding at the time such Subordinated Debt so becomes due and payable because of such occurrence of such an event of default shall be entitled to receive payment in full of all principal and interest on all such Bonds before the holders of the Subordinated Debt are entitled to receive any accelerated payment from the Trust Estate of principal (and premium, if any) or interest upon the Subordinated Debt.

(c) If any Event of Default with respect to the Bonds shall have occurred and be continuing (under circumstances when the provisions of (a) above shall not be applicable), the Holders of all Bonds then Outstanding shall be entitled to receive payment in full of all principal and interest on all such Bonds before the holders of the Subordinated Debt are entitled to receive any accelerated payment from the Trust Estate of principal (and premium, if any) or interest upon the Subordinated Debt.

(d) No Bondholder shall be prejudiced in his, her or its right to enforce subordination of the Subordinated Debt by any act or failure to act on the part of the Authority.

(e) The Subordinated Debt may provide that the provisions of (a), (b), (c) and (d) above are solely for the purpose of defining the relative rights of the Holders of the Bonds on the one hand, and the holders of Subordinated Debt on the other hand, and that nothing therein shall impair, as between the Authority and the holders of the Subordinated Debt, the obligation of the Authority, which is unconditional and absolute, to pay to the holders thereof the principal thereof and premium, if any, and interest thereon in accordance with its terms, nor shall anything therein prevent the holders of the Subordinated Debt from exercising all remedies otherwise permitted by applicable law or thereunder upon default thereunder, subject to the rights under (a), (b), (c) and (d) above of the Holders of Bonds to receive cash, property or securities otherwise payable or deliverable to the holders of the Subordinated Debt; and the Subordinated Debt may provide that, insofar as a trustee or paying agent for such Subordinated Debt is concerned, the foregoing provisions shall not prevent the application by such trustee or paying agent of any moneys deposited with such trustee or paying agent for the purpose of the payment of or on account of the principal (and premium, if any) and interest on such Subordinated Debt if such trustee or paying agent did not have knowledge at the time of such application that such payment was prohibited by the foregoing provisions.

Any issue of Subordinated Debt may have such rank or priority with respect to any other issue as may be provided in the Supplemental Resolution, resolution, indenture or other instrument securing such issue of Subordinated Debt and may contain such other provisions as are not in conflict with the provisions of the Resolution.

(Section 511 of the Bond Resolution)

Investment of Certain Funds.

Moneys held in the Debt Service Fund and the Debt Service Reserve Fund shall be invested and reinvested by the Trustee to the fullest extent practicable in Federal Securities which mature, (a) in the case of moneys held in the Debt Service Reserve Fund without restriction as to time, and (b) in the case of moneys held in the Debt Service Fund not later than such times as shall be necessary to provide moneys when needed for payments to be made from such Fund. Moneys held in the Transportation Improvement Fund, the Subordinated Debt Fund and the Authority Reserve Fund may be invested and reinvested in Investment Securities which mature not later than such times as shall be necessary to provide moneys when

needed for payments to be made from such Fund. The Trustee shall make all such investments of moneys held by it in accordance with written instructions from time to time received from any Authorized Officer of the Authority. In making any investment in any Investment Securities with moneys in any Fund or Account established under the Resolution, the- Authority may instruct the Trustee or any Depository to combine such moneys with moneys in any other Fund or Account, but solely for purposes of making such investment in such Investment Securities.

Interest (net of that which represents a return of accrued interest paid in connection with the purchase of any investment) earned or any gain realized on any moneys or investments in such Funds or Accounts, other than the Debt Service Fund shall be held for the benefit of the Transportation Improvement Fund and shall be paid into the Transportation Improvement Fund on a periodic basis at least quarterly as shall be directed by the Authority. Interest earned or gain realized on any moneys or investments in the Debt Service Fund shall be held in such Fund for the purposes thereof.

Nothing in the Resolution shall prevent any Investment Securities acquired as investments of or security for funds held under the Resolution from being issued or held in book-entry form on the books of the Department of the Treasury of the United States.

Nothing in the Resolution shall preclude the Trustee from investing or reinvesting moneys through its bond department; provided, however, that the Authority may, in its discretion, direct that such moneys be invested or reinvested in a manner other than through such bond department.

(Section 603 of the Bond Resolution)

Swap Agreements; Financing Facilities.

Whenever the Authority desires to enter into a Swap Agreement, it shall give notice to each Rating Agency of its intent and shall provide to the Rating Agency copies of the proposed Swap Agreement and any other documentation or information reasonably requested by the Rating Agency at least fifteen (15) days prior to entering into such an agreement so that the Rating Agency may comment on the proposed Swap Agreement and indicate the effect of such agreement on the rating assigned by that Rating Agency to any Series of Bonds. Any proposed Swap Provider must be assigned a rating by each Rating Agency which has assigned or will assign a rating to the applicable Series of Bonds of (a) at least A, or (b) such higher rating as any such Rating Agency shall then require in order to obtain or maintain the rating then assigned or to be assigned to the applicable Series of Bonds.

Any Swap Agreement shall provide that, if the rating assigned by a Rating Agency to the Swap Provider shall be withdrawn or shall be lowered below the required minimum, the Authority shall have the option of (i) declaring a termination event under such agreement; or (ii) requiring the Swap Provider to post collateral or a guaranty or other surety sufficient to satisfy the minimum rating requirement.

Prior to obtaining any Financing Facility, the Authority shall give each Rating Agency notice of its intent to do so and shall provide to the Rating Agency copies of the Financing Facility, any reimbursement or purchase agreement relating thereto and any other documentation or information reasonably requested by the Rating Agency at least fifteen (15) days prior to obtaining the Financing Facility so that the Rating Agency may comment on the proposed Financing Facility and indicate the effect of such Financing Facility on the rating assigned by the Rating Agency to any Series of Bonds.

(Section 605 of the Bond Resolution)

Revenue Contracts.

The Authority shall collect and forthwith cause to be deposited with a Depository in the Transportation Improvement Fund all amounts, if any, payable to it pursuant to the Revenue Contracts. The Authority shall enforce the provisions of the Revenue Contracts and agreements thereunder. The Authority will not consent or agree to or permit any amendment, change or modification to any Revenue Contracts which would reduce the amounts payable to the Authority or extend the times when such payments are to be made thereunder. A copy of each of the Revenue Contracts certified by an Authorized Officer of the Authority shall be filed with the Trustee, and a copy of any such amendment certified by an Authorized Officer of the Authority shall be filed with the Trustee.

(Section 708 of the Bond Resolution)

Events of Default.

The following events shall constitute an Event of Default under the Resolution:

(i) if default shall be made in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity or by call for redemption, or otherwise;

(ii) if default shall be made in the due and punctual payment of any installment of interest on any Bond when and as such interest shall become due and payable;

(iii) if default shall be made in the due and punctual payment of principal, interest or any other amounts payable in connection with any Subordinated Debt;

(iv) if default shall be made by the Authority in the performance or observance of any other covenants, agreements or conditions on its part in the Resolution or in the Bonds contained, and such default shall continue for a period of sixty (60) days after written notice thereof to the Authority by the Trustee or to the Authority and to the Trustee by the Holders of not less than twenty-five percent (25%) in principal amount of the Bonds Outstanding;

(v) if the Authority shall commence a voluntary case or similar proceeding under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect or shall authorize, apply for or consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator or similar official and/or its rents, fees, charges or other revenues therefrom, or shall make any general assignment for the benefit of creditors, or shall make a written declaration or admission to the effect that it is unable to meet its debts as such debts mature, or shall authorize or take any action in furtherance of any of the foregoing;

(vi) if a court having jurisdiction in the premises shall enter a decree or order for relief in respect of the Authority in an involuntary case or similar proceeding under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or a decree or order appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for the Authority, and/or the rents, fees, charges or other revenues therefor, or a decree or order for the dissolution, liquidation or winding up of the Authority and its affairs or a decree or order finding or determining that the Authority is unable to meet its debts as such debts mature, and any such decree or order shall remain unstayed and in effect for a period of sixty (60) consecutive days; or

(vii) if, pursuant to the terms of any Financing Facility, the Trustee shall receive a notice from the issuer of such Financing Facility stating that an event of default has occurred in respect of the Authority's

obligations under such Financing Facility and directing the Trustee to declare the principal of and interest on the applicable Bonds to be immediately due and payable.

Upon the occurrence of an Event of Default, and so long as such Event of Default shall not have been remedied, unless the principal of all the Bonds shall have already become due and payable, the Trustee may, and at the written request of the Holders of not less than twenty-five percent (25%) in principal amount of the Bonds Outstanding shall, declare the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and be immediately due and payable, anything in the Resolution or in any of the Bonds contained to the contrary notwithstanding. The right of the Trustee to make any such declaration as aforesaid, however, is subject to the condition that if, at any time after such declaration, but before the Bonds shall have matured by their terms, all overdue installments of principal, Redemption Price and interest upon the Bonds, together with interest on such overdue installments to the extent permitted by law and the reasonable and proper fees, charges, expenses and liabilities of the Trustee, and all other sums then payable by the Authority under the Resolution (except the principal of, and interest accrued since the next preceding Payment Date on the Bonds due and payable solely by virtue of such declaration) shall either be paid by or for the account of the Authority or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Bonds or under the Resolution (other than the payment of principal and interest due and payable solely by reason of such declaration) shall be made good or be secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, then and in every such case the Holders of twenty-five percent (25%) in principal amount of the Bonds Outstanding, by written notice to the Authority and the Trustee, may rescind such declaration and annul such default in its entirety, or, if the Trustee shall have acted itself, and if there shall not have been theretofore delivered to the Trustee written direction to the contrary by the Holders of twenty-five percent (25%) in principal amount of the Bonds Outstanding, then any such declaration shall *ipso facto* be deemed to be rescinded and any such default shall *ipso facto* be deemed to be annulled, but no such rescission or annulment shall extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon.

Notwithstanding the foregoing, and unless otherwise provided in the applicable Supplemental Resolution or Series Certificate, if an Event of Default described in subsection (ii) above shall occur by reason of the failure by any Swap Provider to make any payment to the Authority or to the Trustee when due as required pursuant to the terms of the applicable Swap Agreement, neither the Trustee nor the Bondholders shall have any right to declare an acceleration of the Bonds as aforesaid unless and until there shall occur an early termination of the applicable Swap Agreement. If such Event of Default is cured (including, to the extent permitted by law, the payment of interest on overdue payments to the extent provided in the applicable Swap Agreement) prior to such early termination date (or on such date if the cure is effected by entering into a substitute Swap Agreement), no acceleration shall be declared with respect to such Event of Default and the Bonds shall remain Outstanding and in full force and effect.

(Section 801 of the Bond Resolution)

Application of Pledged Property and Debt Service Reserve Fund After Default.

The Authority covenants that if an Event of Default shall occur and shall not have been remedied, the Authority, upon the demand of the Trustee, shall pay over or cause to be paid over to the Trustee (a) forthwith, all Pledged Property then held by the Authority under the Resolution, (b) the Debt Service Reserve Fund, and (c) all revenues which are not paid directly to the Trustee as promptly as practicable after receipt thereof.

During the continuance of an Event of Default, the Trustee shall apply the Pledged Property, including all moneys, securities, funds and Revenues received by the Trustee pursuant to any right given or action taken under the provisions of Article VIII of the Resolution together with all Funds held by the

Trustee under the Resolution (other than the Debt Service Reserve Fund and the Rebate Fund) as follows and in the following order:

(i) Expenses of Fiduciaries -- to the payment of the reasonable and proper fees (including reasonable attorneys' fees), charges, expenses and liabilities of the Fiduciaries;

(ii) Principal or Redemption Price and Interest -- to the payment of the interest and principal or Redemption Price then due on the Bonds, as follows:

(a) unless the principal of all of the Bonds shall have become or have been declared due and payable,

First: Interest -- To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, together with accrued and unpaid interest on the Bonds theretofore called for redemption, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; provided, however, that with respect to any Related Swap Bonds, interest shall be calculated at the effective fixed rate of interest (as set forth in the applicable Series Certificate and Swap Agreement) to be paid by the Authority by reason of the operation of the applicable Swap Agreement, and shall be applied, pro rata, to the payment of interest on such Related Swap Bonds at the actual rate of interest then in effect and Swap Payment Obligations payable by the Authority (including Swap Termination Payments) under such Swap Agreement; and

Second: Principal or Redemption Price -- To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference; provided, however, that amounts which would otherwise be payable in respect of the principal of any Related Swap Bonds will be applied, pro rata, to the payment of such principal and to the payment of any Swap Termination Payments payable by the Authority if so provided in the applicable Swap Agreement;

(b) if the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds; provided, however, that with respect to any Related Swap Bonds, interest shall be calculated at the fixed rate of interest (as set forth in the applicable Series Certificate and Swap Agreement) to be used in determining the Authority's Bond Payment Obligations in respect of the Related Swap Bonds and shall be applied, together with all amounts which would otherwise be payable in respect of the principal of any Related Swap Bonds, pro rata, to the payment of the principal of and interest on such Related Swap Bonds at the actual rate of interest then in effect and Swap Payment Obligations (including Swap Termination Payments) under such Swap Agreement.

(c) Notwithstanding the foregoing, to the extent provided in the applicable Supplemental Resolution or Series Certificate, Financing Facility Revenues shall be applied to the payment of principal or Redemption Price of, and interest on, the Bonds to which such Financing Facility relates,

and amounts which would otherwise be paid to the Holders of such Bonds shall be paid to the applicable Financing Facility Provider.

During the continuance of an Event of Default and after application of the Pledged Property as provided above, the Trustee shall apply each Account in the Debt Service Reserve Fund to the extent necessary to make up any deficiency in the payment of Fiduciary expenses and in the payment of principal or Redemption Price of or interest on Reserve Fund Bonds, as follows and in the following order:

(i) Expenses of Fiduciaries -- to the payment of the reasonable and proper fees (including reasonable attorneys' fees), charges, expenses and liabilities of the Fiduciaries;

(ii) Principal or Redemption Price and Interest -- to the payment of the interest and principal or Redemption Price then due on the applicable Reserve Fund Bonds, as follows:

(a) unless the principal of all of such Reserve Fund Bonds shall have become due or have been declared due and payable,

First: Interest -- To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, together with accrued and unpaid interest on the Reserve Fund Bonds theretofore called for redemption, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: Principal or Redemption Price -- To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Reserve Fund Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full all the Reserve Fund Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference;

(b) if the principal of all of the Reserve Fund Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Reserve Fund Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Reserve Fund Bond over any other Reserve Fund Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Reserve Fund Bonds.

During the continuance of an Event of Default, but subject and subordinate to the amounts required to be paid pursuant to the first two paragraphs under this subheading, and only after all amounts required to be paid pursuant to the first two paragraphs under this subheading have been paid in full, the Trustee shall apply any and all moneys, securities and Revenues then on deposit in or available for deposit to the Subordinated Debt Fund first to the payment of the reasonable and proper fees (including reasonable attorneys' fees), charges, expenses and liabilities of the Fiduciaries, and second to the payment to the persons entitled thereto of all installments of principal, redemption or prepayment price of, interest on and any other amounts payable in connection with any Subordinated Debt then outstanding, in such order of priority as shall be specified in the Supplemental Resolutions or other resolutions of the Authority authorizing the issuance of such Subordinated Debt or, if not so specified, pro rata.

If and whenever all overdue installments of principal or Redemption Price of, and interest on, all Bonds and Financing Facility Payment Obligations, together with the reasonable and proper charges, fees

(including reasonable attorneys' fees), expenses and liabilities of the Trustee, and all other sums payable by the Authority under the Resolution, including the principal and Redemption Price of and accrued unpaid interest on all Bonds which shall then be payable, by declaration or otherwise shall either be paid by or for the account of the Authority, or provisions satisfactory to the Trustee shall be made for such payment, and all defaults under the Resolution or the Bonds shall be made good or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, the Trustee shall pay over to the Authority all moneys, securities and funds then remaining unexpended in the hands of the Trustee (except moneys, securities and funds deposited or pledged, or required by the terms of the Resolution to be deposited or pledged, with the Trustee), and thereupon the Authority and the Trustee shall be restored, respectively, to their former positions and rights under the Resolution. No such payment over to the Authority by the Trustee nor such restoration of the Authority and the Trustee to their former positions and rights shall extend to or affect any subsequent default under the Resolution or impair any right consequent thereon.

(Section 803 of the Bond Resolution)

Proceedings Brought by Trustee.

If an Event of Default shall happen and shall not have been remedied, then and in every such case, the Trustee, by its agents and attorneys, may proceed, and upon written request of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds Outstanding shall proceed, to protect and enforce its rights and the rights of the Holders of the Bonds under the Resolution forthwith by a suit or suits in equity or at law, whether for the specific performance of any covenant herein contained, or in aid of the execution of any power herein granted, or for an accounting against the Authority as if the Authority were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under the Resolution.

All rights of action under the Resolution may be enforced by the Trustee without the possession of any of the Bonds or the production thereof at the trial or other proceedings, and any such suit or proceedings instituted by the Trustee shall be brought in its name.

The Holders of not less than a majority in principal amount of the Bonds at the time Outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, provided that the Trustee shall have the right to decline to follow any such direction if the Trustee shall be advised by counsel that the action or proceeding so directed may not lawfully be taken, or if the Trustee in good faith shall determine that the action or proceeding so directed would involve the Trustee in personal liability or be unjustly prejudicial to the Bondholders not parties to such direction.

Upon commencing a suit in equity or upon other commencement of judicial proceedings by the Trustee to enforce any right under the Resolution, the Trustee shall be entitled to exercise any and all rights and powers conferred in the Resolution and provided to be exercised by the Trustee upon the occurrence of any Event of Default.

Regardless of the happening of an Event of Default, the Trustee shall have power to, but unless requested in writing by the Holders of twenty-five percent (25%) in principal amount of the Bonds then Outstanding and furnished with reasonable security and indemnity, shall be under no obligation to, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient to prevent any impairment of the security under the Resolution by any acts which may be unlawful or in violation of the Resolution, and such suits and proceedings as the Trustee may be advised shall be necessary or expedient to preserve or protect its interests and the interests of the Bondholders.

(Section 804 of the Bond Resolution)

Restrictions on Bondholder's Action.

No Holder of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of the Resolution or the execution of any trust under the Resolution or for any remedy under the Resolution, unless such Holder shall have previously given to the Trustee written notice of the happening of an Event of Default, as provided in Article VIII of the Resolution, and the Holders of at least twenty-five percent (25%) in principal amount of the Bonds then Outstanding shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity, either to exercise the powers granted in the Resolution or by the Act or by the laws of the State of New Jersey or to institute such action, suit or proceeding in its own name, and unless such Holders shall have offered to the Trustee adequate security and indemnity against the costs, fees (including reasonable attorneys' fees), expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused to comply with such request for a period of sixty (60) days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by his, her, its or their action to affect, disturb or prejudice the pledge created by the Resolution, or to enforce any right under the Resolution, except in the manner therein provided; and that all proceedings at law or in equity to enforce any provision of the Resolution shall be instituted, had and maintained in the manner provided in the Resolution and for the equal benefit of all Holders of the Outstanding Bonds, subject only to the provisions of the Resolution.

Nothing in the Resolution or in the Bonds contained shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay at the respective dates of maturity and places therein expressed the principal of (and premium, if any) and interest on the Bonds to the respective Holders thereof, or affect or impair the right of action, which is also absolute and unconditional, of any Holder to enforce such payment of his Bond.

(Section 805 of the Bond Resolution)

Trustee; Paying Agents.

The Resolution requires the appointment by the Authority of a Trustee and one or more Paying Agents (which may include the Trustee). The Trustee may at any time resign by giving not less than ninety (90) days' written notice to the Authority and mailing notice thereof to the Holders of Bonds then Outstanding, may be removed at any time with or without cause by the Holders of a majority in principal amount of the Bonds then Outstanding and may be removed at any time with or without cause by the Authority. Any Paying Agent may at any time resign by giving at least sixty (60) days' written notice to the Authority, the Trustee and the other Paying Agents and may be removed at any time by an instrument filed with such Paying Agent and the Trustee and signed by an Authorized Officer of the Authority. Any successor Trustee or Paying Agent must be a bank or trust company organized under the laws of any state of the United States or a national banking association having capital stock, surplus and undivided earnings aggregating \$50,000,000.

(Sections 901, 902, 907, 908, 909 and 913 of the Bond Resolution)

Supplemental Resolutions.

For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution of the Authority may be adopted, which, upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of the Authority, shall be fully effective in accordance with its terms:

(1) To authorize Bonds of a Series and, in connection therewith, specify and determine the matters and things referred to in Article n of the Resolution, and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with the Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such Bonds;

(2) To close the Resolution against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the Resolution on, the authentication and delivery of Bonds or the issuance of other evidences of indebtedness;

(3) To add to the covenants and agreements of the Authority in the Resolution, other covenants and agreements to be observed by the Authority which are not contrary to or inconsistent with the Resolution as theretofore in effect;

(4) To add to the limitations and restrictions in the Resolution, other limitations and restrictions to be observed by the Authority which are not contrary to or inconsistent with the Resolution as theretofore in effect;

(5) To authorize, in compliance with all applicable law, Bonds of each Series to be issued in the form of coupon Bonds registrable as to principal only and, in connection therewith, specify and determine the matters and things relative to the issuance of such coupon Bonds, including provisions relating to the timing and manner of provision of any notice required to be given under the Resolution to the Holders of such coupon Bonds, which are not contrary to or inconsistent with the Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such coupon Bonds;

(6) To authorize, in compliance with all applicable law, Bonds of each Series to be issued in the form of Bonds issued and held in book-entry form on the books of the Authority and Fiduciary or custodian appointed for that purpose by the Authority and, in connection therewith, make such additional changes in the Resolution, not adverse to the rights of the Holders of the Bonds, as are necessary or appropriate to accomplish or recognize such book-entry form Bonds, substitute for any such Fiduciary or custodian, provide for in, and amend any provisions in, the Resolution relating to the giving of notice, and specify and determine the matters and things relative to the issuance of such book-entry form Bonds as are appropriate or necessary;

(7) To confirm, as further assurance, any pledge or assignment under, and the subjection to any security interest, pledge or assignment created or to be created by, the Resolution of the Pledged Property or the Debt Service Reserve Fund and to pledge any additional revenues, moneys, securities, Financing Facilities or other agreements;

(8) To modify any of the provisions of the Resolution in any other respect whatever, provided that (i) such modification shall be, and be expressed to be, effective only after all Bonds of each Series Outstanding at the date of the adoption of such Supplemental Resolution shall cease to be Outstanding, and (ii) such Supplemental Resolution shall be specifically referred to in the text of all Bonds of any Series authenticated and delivered after the date of the adoption of such Supplemental Resolution and of Bonds issued in exchange therefor or in place thereof; and

(9) To authorize the issuance of Subordinated Debt in accordance with the Resolution and the Act.

For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution may be adopted, which, upon (i) the filing with the Trustee of a copy thereof certified by an Authorized Officer of the Authority, and (ii) the filing with the Authority of an instrument in writing made by the Trustee consenting thereto, shall be fully effective in accordance with its terms:

(1) To cure any ambiguity, supply any omission, or correct any defect or inconsistent provision in the Resolution; or

(2) To insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable and are not contrary to or inconsistent with the Resolution as theretofore in effect.

(Sections 1001 and 1002 of the Bond Resolution)

Amendments; Consent.

Any modification or amendment of the Resolution and of the rights and obligations of the Authority and of the Holders of the Bonds thereunder, in any particular, may be made by a Supplemental Resolution with the written consent, given as provided in the following paragraph, of the Holders of at least a majority in principal amount of the Bonds Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under Section 1102 of the Bond Resolution. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto, or shall permit a change in the terms of redemption or prepayment of any Subordinated Debt or the payment of interest thereon or any other amount payable in connection therewith without the consent of the holder of such Subordinated Debt. For the purpose of Section 1102 of the Bond Resolution, a Series shall be deemed to be affected by a modification or amendment of the Resolution if the same adversely affects or diminishes the rights of the Holders of Bonds of such Series. The Trustee may in its discretion determine whether or not, in accordance with the foregoing powers of amendment, Bonds of any particular Series or maturity would be affected by any modification or amendment of the Resolution and any such determination shall be binding and conclusive on the Authority and all Holders of Bonds.

The Authority may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the foregoing paragraph to take effect when and as provided in this paragraph. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by the Trustee), together with a request to Bondholders for their consent thereto in form satisfactory to the Trustee, shall be mailed by the Authority to Bondholders (but failure to mail such copy and request shall not affect the validity of the Supplemental Resolution when consented to as in this paragraph provided). Such Supplemental Resolution shall not be effective unless and until (i) there shall have been filed with the Trustee (a) the written consents of Holders of the percentages of Outstanding Bonds specified in the foregoing paragraph, (b) the written consent of any Financing Facility Provider the consent of which is required pursuant to the applicable Financing Facility and (c) an opinion of Bond Counsel stating that such Supplemental Resolution has been duly and lawfully adopted and filed by the Authority in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon

the Authority and enforceable in accordance with its terms, subject to any applicable bankruptcy, insolvency or other laws affecting creditors' rights generally, and (ii) a notice shall have been given as hereinafter in this paragraph provided. Each such consent shall be effective only if accompanied by proof of the holding, at the date of such consent, of the Bonds with respect to which such consent is given. A certificate or certificates executed by the Trustee and filed with the Authority stating that it has examined such proof and that such proof is sufficient shall be conclusive that the consents have been given by the Holders of the Bonds described in such certificate or certificates of the Trustee. Any such consent shall be binding upon the Holder of the Bonds giving such consent and upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof) unless such consent is revoked in writing by the Holder of such Bonds giving such consent or a subsequent Holder thereof by filing with the Trustee, prior to the time when the written statement of the Trustee hereinafter in this paragraph provided for is filed, such revocation and, if such Bonds are transferable by delivery, proof that such Bonds are held by the signer of such revocation. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee filed with the Authority to the effect that no revocation thereof is on file with the Trustee. At any time after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution, the Trustee shall make and file with the Authority a written statement that the Holders of such required percentages of Bonds have filed such consents. Such written statements shall be conclusive that such consents have been so filed. At any time thereafter, notice stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by the Authority on a stated date, a copy of which is on file With the Trustee) has been consented to by the Holders of the required percentages of Bonds and will be effective as provided in this paragraph, may be given to Bondholders by the Authority by mailing such notice to Bondholders (but failure to mail such notice shall not prevent such Supplemental Resolution from becoming effective and binding as in this paragraph provided). The Authority shall file with the Trustee proof of the mailing thereof. A record, consisting of the certificates or statements required or permitted by this paragraph to be made by the Trustee, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon the Authority, the Fiduciaries and the Holders of all Bonds at the expiration of forty (40) days after the filing with the Trustee of the proof of the mailing of such last mentioned notice, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such forty (40) day period; provided, however, that any Fiduciary and the Authority during such forty (40) day period and any such further period during which any such action or proceeding may be pending shall be entitled in their absolute discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as they may deem expedient.

(Sections 1102 and 1103 of the Bond Resolution)

Defeasance.

If the Authority shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Bonds the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated in the Bonds and in the Resolution, then the pledge of the Pledged Property, Debt Service Reserve Fund, any Revenues, and other moneys and securities pledged under the Resolution and all covenants, agreements and other obligations of the Authority to the Bondholders, shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall cause an accounting for such period or periods as shall be requested by the Authority to be prepared and filed with the Authority and, upon the request of the Authority, shall execute and deliver to the Authority all such instruments as may be desirable to evidence such discharge and satisfaction, and the Fiduciaries shall pay over or deliver to the Authority the Pledged Property and the Debt Service Reserve Fund, including all moneys or securities held by them pursuant to the Resolution which are not required for

the payment of principal or Redemption Price, if applicable, and interest on Bonds not theretofore surrendered for such payment or redemption. If the Authority shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of the Outstanding Bonds of a particular Series, or of a particular maturity or particular Bonds within a maturity within a Series, the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Resolution, such Bonds shall cease to be entitled to any lien, benefit or security under the Resolution, and all covenants, agreements and obligations of the Authority to the Holders of such Bonds shall thereupon cease, terminate and become void and he discharged and satisfied.

Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Paying Agents (through deposit by the Authority of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in the foregoing paragraph. Subject to the provisions of the third through sixth paragraphs under this subheading, any Outstanding Bonds shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the foregoing paragraph if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee irrevocable instructions to mail notice of redemption of such Bonds (other than Bonds which have been purchased by the Trustee at the direction of the Authority or purchased or otherwise acquired by the Authority and delivered to the Trustee as hereinafter provided prior to the mailing of such notice of redemption) on said date, (b) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Federal Securities (including any Federal Securities issued or held in book entry form on the books of the Department of the Treasury of the United States) the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on or prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority shall have given the Trustee irrevocable instructions to mail a notice to the Holders of such Bonds that the deposit required by (b) above has been made with the Trustee and that said Bonds are deemed to have been paid and stating such maturity or redemption date upon which moneys are expected, subject to the sixth paragraph under this subheading, to be available for the payment of the principal or Redemption Price, if applicable, of and accrued and unpaid interest on said Bonds (other than Bonds which have been purchased by the Trustee at the direction of the Authority or purchased or otherwise acquired by the Authority and delivered to the Trustee as hereinafter provided prior to the mailing of the notice of redemption referred to in clause (a) hereof). Any notice of redemption mailed pursuant to the preceding sentence with respect to Bonds which constitute less than all of the Outstanding Bonds of any maturity within a Series shall specify the letter and number or other distinguishing mark of each such Bond. The Trustee shall, as and to the extent necessary, apply moneys held by it to the payment when due of the principal or Redemption Price of and interest on such Bonds, all in the manner provided in the Resolution. The Trustee shall, if so directed by the Authority (i) prior to the maturity date of Bonds deemed to have been paid which are not to be redeemed prior to their maturity date or (ii) prior to the mailing of the notice of redemption referred to in clause (a) above with respect to any Bonds deemed to have been paid which are to be redeemed on any date prior to their maturity, apply moneys deposited with the Trustee in respect of such Bonds and redeem or sell Federal Securities so deposited with the Trustee and apply the proceeds thereof to the purchase of such Bonds and the Trustee shall immediately thereafter cancel all such Bonds so purchased; provided, however, that the moneys and Federal Securities remaining on deposit with the Trustee after the purchase and cancellation of such Bonds shall be sufficient to pay when due the principal or Redemption Price, if applicable, of, and interest due or to become due on all Bonds, in respect of which such moneys and Federal Securities are being held by the Trustee on or prior to the redemption date or maturity date thereof, as the case may be. If, at any time (i) prior to the maturity date of Bonds deemed to have been paid which are not to be redeemed prior to their maturity date or (ii) prior to the mailing of the

notice of redemption referred to in clause (a) with respect to any Bonds deemed to have been paid which are to be redeemed on any date prior to their maturity, the Authority shall purchase or otherwise acquire any such Bonds and deliver such Bonds to the Trustee prior to their maturity date or redemption date, as the case may be, the Trustee shall immediately cancel all such Bonds so delivered; such delivery of Bonds to the Trustee shall be accompanied by directions from the Authority to the Trustee as to the manner in which such Bonds are to be applied against the obligation of the Trustee to pay or redeem Bonds deemed paid. The directions given by the Authority to the Trustee referred to in the preceding sentence shall also specify the portion, if any, of such Bonds so purchased or delivered and cancelled to be applied against the obligation of the Trustee to pay Bonds deemed paid upon their maturity date or dates and the portion, if any, of such Bonds so purchased or delivered and cancelled to be applied against the obligation of the Trustee to redeem Bonds deemed paid on any date or dates prior to their maturity. In the event that on any date as a result of any purchases, acquisitions and cancellations of Bonds the total amount of moneys and Federal Securities remaining on deposit with the Trustee is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of the remaining Bonds in order to satisfy subclause (b) of this paragraph, the Trustee shall, if requested by the Authority, pay the amount of such excess to the Authority free and clear of any trust, lien, pledge or assignment securing said Bonds or otherwise existing under the Resolution. Except as otherwise provided in the third through sixth paragraphs under this subheading, neither Federal Securities nor moneys deposited with the Trustee pursuant to this Section nor principal or interest payments on any such Federal Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if applicable, of, and interest on said Bonds; provided that any cash received from such principal or interest payments on such Federal Securities deposited with the Trustee, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the Authority as received by the Trustee, free and clear of any trust, lien or pledge securing said Bonds or otherwise existing under the Resolution, and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Federal Securities maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if applicable, and interest to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the Authority, as received by the Trustee, free and clear of any trust, lien, pledge or assignment securing said Bonds or otherwise existing under the Resolution. For the purposes of Section 1201 of the Bond Resolution, Federal Securities shall mean and include only (A) Federal Securities which shall not be subject to redemption prior to their maturity other than at the option of the holder thereof, (B) Federal Securities as to which an irrevocable notice of redemption of such securities has been given and such securities are not otherwise subject to redemption prior to such specified date other than at the option of the holder thereof, or (C) upon compliance with the provisions of the fifth paragraph under this subheading, Federal Securities which are subject to redemption prior to maturity at the option of the issuer thereof on a specified date or dates.

For purposes of determining whether Variable Interest Rate Bonds shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of moneys, or Federal Securities and moneys, if any, in accordance with the second sentence of the foregoing paragraph, the interest to come due on such Variable Interest Rate Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the Maximum Interest Rate permitted by the terms thereof; provided, however, that if on any date, as a result of such Variable Interest Rate Bonds having borne interest at less than such Maximum Interest Rate for any period, the total amount of moneys and Federal Securities on deposit with the Trustee for the payment of interest on such Variable Interest Rate Bonds is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of such Variable Interest Rate Bonds in order to satisfy the second sentence of the foregoing paragraph, the Trustee shall, if requested by the Authority, pay the amount of such excess to the Authority free and clear of any trust, lien, pledge or assignment securing the Bonds or otherwise existing under the Resolution.

Federal Securities described in clause (C) of the second paragraph under this subheading may be included in the Federal Securities deposited with the Trustee in order to satisfy the requirements of clause (b) of the second paragraph under this subheading only if the determination as to whether the moneys and Federal Securities to be deposited with the Trustee in order to satisfy the requirements of such clause (b) would be sufficient to pay when due either on the maturity date thereof or, in the case of any Bonds to be redeemed prior to the maturity date thereof, on the redemption date or dates specified in any notice of redemption to be mailed by the Trustee, the principal and Redemption Price, if applicable, and interest on the Bonds which will be deemed to have been paid is made both (i) on the assumption that the Federal Securities described in clause (C) were not redeemed at the option of the issuer prior to the maturity date thereof and (ii) on the assumptions that such Federal Securities would be redeemed by the issuer thereof at its option on each date on which such option could be exercised, that as of such date or dates interest ceased to accrue on such Federal Securities and that the proceeds of such redemption would not be reinvested by the Trustee.

In the event that after compliance with the provisions of the foregoing paragraph, the Federal Securities described in clause (C) of the second paragraph under this subheading are included in the Federal Securities deposited with the Trustee in order to satisfy the requirements of clause (b) of the second paragraph under this subheading and any such Federal Securities are actually redeemed by the issuer thereof prior to their maturity date, then the Trustee at the direction of the Authority, provided that the aggregate of the moneys and Federal Securities to be held by the Trustee, taking into account any changes in redemption dates or instructions to give notice of redemption given to the Trustee by the Authority in accordance with the following paragraph, shall at all times be sufficient to satisfy the requirements of clause (b) of the second paragraph under this subheading, shall reinvest the proceeds of such redemption in Federal Securities.

Any notice of redemption to be mailed by the Trustee and any set of instructions relating to a notice of redemption given to the Trustee may provide, at the option of the Authority, that any redemption date or dates in respect of all or any portion of the Bonds to be redeemed on such date or dates may at the option of the Authority be changed to any other permissible redemption date or dates and that redemption dates may be established for any Bonds deemed to have been paid upon their maturity date or dates at any time prior to the actual mailing of any applicable notice of redemption.

Option Bonds shall be deemed to have been paid in accordance with the second sentence of the second paragraph under this subheading, only if, in addition to satisfying the requirements of clauses (a) and (c) of such sentence, there shall have been deposited with the Trustee moneys in an amount which shall be sufficient to pay when due the maximum amount of principal of and premium, if any, and interest on such Bonds which could become payable to the Holders of such Bonds upon the exercise of any options provided to the Holders of such Bonds; provided, however, that if, at the time a deposit is made with the Trustee pursuant to the second paragraph under this subheading, the options originally exercisable by the Holder of an Option Bond are no longer exercisable, such Bond shall not be considered an Option Bond for purposes of this paragraph. If any portion of the moneys deposited with the Trustee for the payment of the principal of and premium, if any, and interest on Option Bonds is not required for such purpose the Trustee shall, if requested by the Authority, pay the amount of such excess to the Authority free and clear of any trust, lien, pledge or assignment securing said Bonds or otherwise existing under the Resolution.

Related Swap Bonds and the Authority's Swap Payment Obligations under the applicable Swap Agreements shall be deemed to have been paid if (a) there shall have been deposited with the Trustee moneys and Federal Securities of the type described in the second paragraph under this subheading in an amount which, together with amounts due and to become due from the Swap Provider under the applicable Swap Agreement, shall be sufficient to pay when due (i) during the term of the applicable Swap Agreement, the Authority's Bond Payment Obligations, Related Swap Bond Payment Obligations and Swap Payment

Obligations (other than Swap Termination Payments) in respect of such Related Swap Bonds and (ii) thereafter, all principal of and premium, if any, and interest on such Bonds to maturity or prior redemption and (b) the Authority shall have given to the Trustee irrevocable written instructions directing the Trustee to pay, during the term of the applicable Swap Agreement to the applicable Paying Agent or Swap Provider, as the case may be, the amount required to pay the Authority' s Bond Payment Obligations, Related Swap Bond Payment Obligations and Swap Payment Obligations in respect of such Related Swap Bonds. Neither moneys nor Federal Securities deposited with the Trustee pursuant to this paragraph nor principal or interest payments on any such Federal Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payments to be made pursuant to subsections (i) and (ii) above; provided that any cash received from such principal or interest payments on such Federal Securities deposited with the Trustee, if not then needed for such purpose, shall to the extent practicable, be reinvested in Federal Securities maturing at the times and in amounts sufficient, together with other moneys available for the purpose, to make the payments set forth in subsections (i) and (ii) above, and interest earned from such reinvestments shall be paid over to the Authority, as received by the Trustee, free and clear of any trust, lien or pledge, and provided, further that any Federal Securities may be sold, transferred, redeemed or otherwise disposed of and the proceeds thereof applied to the purchase of other Federal Securities of the type permitted for this purpose, the principal of and interest on which, when due, together with moneys and other Federal Securities then held by the Trustee for such purpose, shall be sufficient to make the payments set forth in subsections (i) and (ii) above. Notwithstanding the defeasance of any Bonds and discharge of the lien of the Resolution, during the term of any Swap Agreement for which the Related Swap Bonds have been defeased, the Trustee shall, subject to the foregoing provisions, hold and apply (i) the Federal Securities deposited with it as provided in Section 505 of the Resolution, and (ii) all payments from the Swap Provider under the applicable Swap Agreement as Swap Revenues pursuant to Section 506 of the Resolution. If any portion of the moneys deposited with the Trustee for the payment of the amounts set forth in subsection (a) above is not required for such purpose, the Trustee shall pay the amount of such excess as the Authority shall direct in writing.

Anything in the Resolution to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of any of the Bonds which remain unclaimed for two (2) years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for two (2) years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when such Bonds became due and payable, shall, at the written request of the Authority, be repaid by the Fiduciary to the Authority, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Bondholders shall look only to the Authority for the payment of such Bonds; provided, however, that before being required to make any such payment to the Authority the Fiduciary shall, at the expense of the Authority, cause to be published at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than thirty (30) days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the Authority.

Any Subordinated Debt shall be defeased in the manner and subject to the terms and conditions set forth in the Supplemental Resolution or other resolution of the Authority authorizing the issuance thereof.

(Section 1201 of the Bond Resolution)

APPENDIX III

COPY OF THE FOURTH AMENDED AND RESTATED STATE CONTRACT

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**FOURTH AMENDED AND RESTATED CONTRACT
IMPLEMENTING FUNDING PROVISIONS OF
THE NEW JERSEY TRANSPORTATION
TRUST FUND AUTHORITY ACT WITH
RESPECT TO TRANSPORTATION SYSTEM BONDS**

THIS FOURTH AMENDED AND RESTATED CONTRACT IMPLEMENTING FUNDING PROVISIONS OF THE NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY ACT WITH RESPECT TO TRANSPORTATION SYSTEM BONDS (the “Agreement”) is made as of October 3, 2018, by and among the Treasurer of the State of New Jersey (the “Treasurer”), the Commissioner of the New Jersey Department of Transportation (the “Commissioner”), and the New Jersey Transportation Trust Fund Authority (the “Authority”), a public body corporate and politic of the State of New Jersey (the “State”).

BACKGROUND

WHEREAS, the Authority was established and exists pursuant to the New Jersey Transportation Trust Fund Authority Act of 1984, L. 1984, c. 73, as amended and supplemented (the “Act”); and

WHEREAS, the Act provides that there exists an urgent need for a stable and assured method of financing the planning, acquisition, engineering, construction, reconstruction, repair and rehabilitation of New Jersey’s transportation system and that, unless additional State funding is provided immediately for New Jersey’s transportation system, the cost of repair and reconstruction will increase geometrically and the economic well-being and safety of users of the State’s transportation system will be endangered; and

WHEREAS, by Concurrent Resolution, passed in the Senate and Assembly on July 30, 1984, the New Jersey Legislature proposed an amendment to Article VIII, Section II of the Constitution of the State of New Jersey to dedicate for 17 years an amount equivalent to the revenue derived from \$0.025 per gallon of the tax imposed on the sale of motor fuels pursuant to chapter 39 of title 54 of the Revised Statutes (N.J.S.A. 54:39-27, as amended by L. 1987, c. 480) (the “Motor Fuels Tax”) which had not previously been dedicated by law, to a special account in the General Fund, and authorizing the Legislature to enact laws appropriating those moneys only for the purposes of paying or financing the cost of planning, acquisition, engineering, construction, reconstruction, repair and rehabilitation of the transportation system in the State; and

WHEREAS, the question of whether to so amend the State Constitution was submitted to the people of New Jersey at the general election held on November 6, 1984; and

WHEREAS, the official results of that election indicate that the majority of all votes cast for and against that question at such election were cast in favor of said amendment to the State Constitution; and

WHEREAS, in 1984 the Act established an arrangement whereby the State’s share of the costs related to the reconstruction and repair of New Jersey’s transportation system could be financed; and

WHEREAS, the funding of New Jersey's transportation system has been undertaken to date through the issuance of the Authority's Transportation System Bonds (the "Transportation System Bonds"), under the Authority's 1995 Transportation System Bond Resolution, as amended and supplemented (the "1995 Bond Resolution"); and

WHEREAS, in order to implement the financing arrangement provided for in the Act with respect to the Transportation System Bonds, the Treasurer, the Commissioner and the Authority have been authorized by Section 23 of the Act to enter into one or more contracts; and

WHEREAS, pursuant to the authority so granted in Section 23 of the Act, the Treasurer, the Commissioner and the Authority entered into that certain Amended and Restated Contract Implementing Funding Provisions of the New Jersey Transportation Trust Fund Authority Act dated as of July 1, 1995, as amended and supplemented by that certain First Amendment to Amended and Restated Contract Implementing Funding Provisions of the New Jersey Transportation Trust Fund Authority Act, dated as of October 1, 1995, which amended and restated in their entirety that certain Contract Implementing Funding Provisions of the New Jersey Transportation Trust Fund Authority Act, dated January 14, 1985, and a first amendment and supplement thereto, dated as of March 2, 1988 (collectively, the "First Amended and Restated Contract"); and

WHEREAS, the Act was amended on June 20, 2000 by L. 2000, c. 73 (the "2000 Legislation") to provide, among other things, for (i) the renewal of the funding program of the Authority with respect to the Transportation System Bonds, (ii) the issuance of bonds, notes and other obligations in an aggregate principal amount in excess of the statutory debt limit in effect prior to the 2000 Legislation and (iii) an increase in the amount of revenues available to the Authority; and

WHEREAS, by Concurrent Resolution, passed in the Senate and Assembly on July 20, 2000, the New Jersey Legislature proposed an amendment to Article VIII, Section II of the Constitution of the State of New Jersey (i) to credit to a special account in the General Fund, in each Fiscal Year, certain amounts derived from the State revenues collected from the tax on the gross receipts of the sale of petroleum products imposed pursuant to L. 1990, c. 42 (C.54:15B-1 et seq.) as amended and supplemented (the "Petroleum Products Tax") and (ii) to credit to a special account in the General Fund, certain amounts derived from State revenues collected from the State tax imposed under the "Sales and Use Tax Act," pursuant to L. 1966, c. 30 (C.54:32B-1 et seq.) as amended and supplemented (the "Sales and Use Tax"), both subject and subordinate to certain appropriations and uses of the revenues as set forth in the State Constitution; and

WHEREAS, the question of whether to so amend the State Constitution was submitted to the people of New Jersey at the general election held on November 7, 2000; and

WHEREAS, the official results of that election indicate that the majority of all votes cast for and against that question at such election were cast in favor of said amendment to the State Constitution; and

WHEREAS, the Treasurer, the Commissioner and the Authority entered into an Amended and Restated Contract Implementing Funding Provisions of the New Jersey Transportation Trust Fund Authority Act, dated as of June 6, 2001 (the "2001 Amended and

Restated State Contract”), in order to implement the financing arrangements provided for in the Act, as amended by the 2000 Legislation, and to secure financial obligations of the Authority to be incurred thereafter with respect to the Transportation System Bonds; and

WHEREAS, the Act was amended on March 23, 2006 by L. 2006, c. 3 (the “2006 Legislation”) to provide, among other things, for (i) the renewal of the funding program of the Authority with respect to the Transportation System Bonds, (ii) the issuance of bonds, notes and other obligations in an aggregate principal amount in excess of the statutory debt limit in effect prior to the 2006 Legislation, (iii) an increase in the amount of revenues available to the Authority, and (iv) certain other requirements in connection with the issuance of refunding bonds; and

WHEREAS, the Treasurer, the Commissioner and the Authority entered into a Second Amended and Restated Contract Implementing Funding Provisions of the New Jersey Transportation Trust Fund Authority Act, dated as of June 1, 2006 (the “Second Amended and Restated State Contract”), in order to implement the financing arrangements provided in the Act, as amended by the 2006 Legislation, and to secure the financial obligations of the Authority to be incurred thereafter with respect to the Transportation System Bonds; and

WHEREAS, the Act was amended on June 29, 2012 by L. 2012, c. 13 (the “2012 Legislation”) to provide, among other things, for (i) the renewal of the funding program of the Authority, (ii) the issuance of bonds, notes and other obligations in an aggregate principal amount in excess of the statutory debt limit in effect prior to the 2012 Legislation, (iii) the payment of debt service on a new type of bond referred to as transportation program bonds authorized under the 2012 Legislation solely from revenues dedicated pursuant to the New Jersey Constitution, including Article VIII, Section II, paragraph 4, and (iv) changes to the Joint Budget Oversight Committee’s review of certain bonding by the Authority; and

WHEREAS, the Treasurer, the Commissioner and the Authority entered into a Third Amended and Restated Contract Implementing Funding Provisions of the New Jersey Transportation Trust Fund Authority Act, dated as of December 4, 2012 (the “Third Amended and Restated State Contract”), in order to implement the financing arrangements provided for in the Act as amended by the 2012 Legislation, and to secure financial obligations of the Authority to be incurred thereafter with respect to the Transportation System Bonds; and

WHEREAS, the Act was amended on October 14, 2016 by L. 2016, c. 56 (the “2016 Legislation”) to provide, among other things, for an increase in the amount of revenues available to the Authority; and

WHEREAS, by Concurrent Resolution, passed in the Senate and Assembly on January 11, 2016, the New Jersey Legislature proposed an amendment to Article VIII, Section II of the Constitution of the State of New Jersey (i) to credit to a special account in the General Fund, in each Fiscal Year, an amount equivalent to all revenues derived from the Motor Fuels Tax and (ii) to credit to a special account in the General Fund, in each Fiscal Year, an amount equivalent to all revenues derived from the Petroleum Products Tax; and

WHEREAS, the question of whether to so amend the State Constitution was submitted to the people of New Jersey at the general election held on November 8, 2016; and

WHEREAS, the official results of that election indicate that the majority of all votes cast for and against that question at such election were cast in favor of said amendment to the State Constitution; and

WHEREAS, pursuant to the authority so granted in Section 23 of the Act, as amended by the 2016 Legislation, the Treasurer, the Commissioner and the Authority will enter into this Agreement in order to incorporate certain clarifying changes to the Act, as provided for in the 2016 Legislation, relating to the Transportation System Bonds, and to implement the financing arrangements provided for in the Act, as amended by the 2016 Legislation, with respect to the Transportation System Bonds and to secure financial obligations of the Authority to be incurred thereafter with respect to the Transportation System Bonds; and

WHEREAS, the Authority has duly authorized its Chairperson, Vice Chairperson or Executive Director by the Thirtieth Supplemental Transportation System Bond Resolution adopted on May 23, 2018 to enter into and execute this Agreement.

NOW, THEREFORE, in consideration of the promises, mutual covenants and agreements herein set forth and the undertakings of each party to the others, the Treasurer, the Commissioner and the Authority do hereby promise, covenant and agree as follows:

ARTICLE I

DEFINITIONS

1.1. Definitions.

As used and referred to in this Agreement, and unless a different meaning clearly appears from the context:

“Act” shall mean the New Jersey Transportation Trust Fund Authority Act of 1984, L. 1984, c. 73 as from time to time amended and supplemented including, but not limited to, the 2006 Legislation, the 2012 Legislation and the 2016 Legislation.

“Authority” shall mean the New Jersey Transportation Trust Fund Authority, a public body corporate and politic established pursuant to the Act.

“Bond Resolution” means any resolution, indenture, agreement, or other instrument adopted or entered into by the Authority which provides security for the payment of the Transportation System Bonds, notes or other obligations related to such Transportation System Bonds, including, but not limited to the 1995 Bond Resolution, as amended and supplemented.

“Commissioner” shall mean the Commissioner of the New Jersey Department of Transportation.

“Department” shall mean the New Jersey Department of Transportation.

“Extraordinary Appropriations” shall mean any appropriations made by the New Jersey Legislature to the Authority in excess of those amounts referred to in this Agreement.

“Fiscal Year” shall mean the twelve month period ending on June 30 of each year.

“Special Transportation Fund” shall mean the separate State fund established by Section 21 of the Act.

“Toll Road Authority Contracts” shall mean (i) the Agreement between the New Jersey Turnpike Authority and the State, dated April 17, 1984, as amended by the Second Amendment Constituting the Amended and Restated Agreement between the New Jersey Turnpike Authority and the Treasurer of the State of New Jersey dated March 27, 2000; and (ii) the Agreement between the New Jersey Expressway Authority (now known as the South Jersey Transportation Authority) and the New Jersey Department of Transportation, dated November 17, 1983; as each such agreement has been or may be amended, supplemented or superseded and replaced in its entirety by subsequent agreement, and any assignments thereof.

“Transportation Trust Fund Account” shall mean the account in the General Fund of the State established by Section 20 of the Act.

“Transportation Trust Fund Subaccount” shall mean the subaccount in the Transportation Trust Fund Account entitled “Subaccount for Debt Service for Prior Bonds” established by Section 20 the Act.

“Treasurer” shall mean the Treasurer of the State of New Jersey.

ARTICLE II

TRANSPORTATION TRUST FUND SUBACCOUNT

2.1. (a) Beginning on December 8, 2016 of the Fiscal Year commencing July 1, 2016 and during each Fiscal Year thereafter in which the Authority has bonds, notes or other obligations outstanding under the 1995 Bond Resolution, the Treasurer shall credit to the Transportation Trust Fund Subaccount a portion of an amount equivalent to the revenue derived from the Motor Fuels Tax.

(b) The Treasurer shall, in addition to the foregoing, credit to the Transportation Trust Fund Subaccount (i) a portion of an amount equivalent to all revenue derived from the Petroleum Products Tax beginning on December 8, 2016 of the Fiscal Year commencing July 1, 2016 and in each Fiscal Year thereafter; and (ii) for the Fiscal Year beginning July 1, 2001 and each Fiscal Year thereafter, a portion of an amount equivalent to the revenue derived from the Sales and Use Tax on the sale of new motor vehicles, provided that the total amount credited to the Transportation Trust Fund Account during the Fiscal Year beginning July 1, 2003 and thereafter shall not be less than \$200,000,000.

2.2. The Treasurer shall, in addition to the foregoing, credit to the Transportation Trust Fund Subaccount amounts equivalent to the moneys received by the State in accordance with the Toll Road Authority Contracts or such other contracts as may be entered into with other State agencies as such moneys are received by the State, provided that the amount so credited shall not be less than \$24,500,000 in any Fiscal Year.

2.3. The Treasurer shall also credit to the Transportation Trust Fund Subaccount an amount equivalent to the sum of revenues due in each Fiscal Year from: (i) the increase of fees motor vehicle registrations collected pursuant to the amendment to R.S. 39:3-20 made by Section 32 of L. 1984 c. 73; and (ii) the increase in tax on diesel fuels imposed pursuant to the amendment to R.S. 54:39-27 made by Section 35 of L. 1984, c. 73 and by L. 1987, c. 460, and as amended by Section 18 of L. 1992, c. 23, and repealed by Section 56 of L. 2010, c. 22 and now imposed pursuant to Section 3 of L. 2010, c. 22 (C. 54:39-103), provided that the amount so credited during any Fiscal Year shall not be less than \$30,000,000.00.

2.4. In addition to all other amounts to be credited to the Transportation Trust Fund Subaccount as provided above in this Article II, there shall be appropriated from the General Fund in each Fiscal Year any additional amounts necessary to carry out the purpose of the Act and the fees collected pursuant to subsection a. of Section 68 of L. 1990, c. 8 (N.J.S.A. 17:33B-63) shall be credited to the Transportation Trust Fund Subaccount for the purposes of the Act, provided, however, the amount credited from such fees during any Fiscal Year shall not be less than \$60,000,000.

2.5. (a) Not later than the fifth business day of the month following the month in which a credit has been made pursuant to the foregoing sections, the Treasurer shall pay the Authority for its purposes as provided in the Act, the amount then credited to the Transportation Trust Fund Subaccount.

(b) All payments to the Authority shall be subject to and dependent upon appropriations being made from time to time by the Legislature for the purposes of the Act.

2.6. (a) Any Extraordinary Appropriations may be credited to the Transportation Trust Fund Subaccount as may be determined by the Treasurer and the Authority.

(b) Unless the Legislature otherwise provides, in the event that appropriations with respect to any Fiscal Year have not been made by July 1 of said Fiscal Year, the initial credit of any amounts to be credited hereunder shall be in an amount equal to that which would have been credited to the Transportation Trust Fund Subaccount if the appropriations had been made by said July 1.

ARTICLE III

SPECIAL TRANSPORTATION FUND

3.1. The Treasurer shall maintain the Special Transportation Fund in accordance with the Act.

3.2. Subject to the rights and security interests of holders from time to time of such bonds, notes or other obligations as the Authority may hereafter issue under the 1995 Bond Resolution, and other secured parties under the 1995 Bond Resolution, the Authority agrees to transfer to the Special Transportation Fund from its available funds or revenues such amounts as may be appropriated by law to fund designated categorical or specific projects of the Department of Transportation.

3.3. The Commissioner may from time to time, but not more frequently than monthly, certify to the Authority an amount necessary to fund payments made, or anticipated to be made, by or on behalf of the Department from appropriations established for or made to the Department from revenues or other funds of the Authority. The Commissioner's certification shall be deemed conclusive for the purposes of this Section.

3.4. Within 15 days of receipt of the Commissioner's certification, the Authority shall transfer the amount so certified from the available funds of the Authority to the Treasurer for deposit in the Special Transportation Fund. Such transfers shall be subject to the provisions of any Bond Resolution in effect at the time of the transfer.

3.5. All funds transferred to the Special Transportation Fund in accordance with the preceding Section shall only be expended by the Department pursuant to such appropriations or authorizations as may be made from time to time by the Legislature for the purposes of the Act.

ARTICLE IV

ENFORCEMENT OF TOLL ROAD AUTHORITY CONTRACTS

4.1. The parties hereto agree that the Toll Road Authority Contracts shall be enforced in accordance with their terms and that any amendment or modification thereof shall include such conditions and covenants necessary and desirable to facilitate the sale of bonds, notes and other obligations of the Authority pursuant to the 1995 Bond Resolution. The parties further agree that there shall be no amendment or modification of the Toll Road Authority Contracts which would adversely affect the interests of the Authority or the holders of bonds, notes or other obligations of the Authority secured by this Agreement.

ARTICLE V

PLEDGE OF AGREEMENT

5.1. The parties hereto acknowledge that the Authority will pledge this Agreement as security for the payment of all of its bonds, notes or other obligations in accordance with the Act issued pursuant to the 1995 Bond Resolution, and will covenant with the holders of such bonds, notes or other obligations to enforce the provisions of this Agreement.

ARTICLE VI

SUBJECT TO APPROPRIATION

6.1. It is expressly understood by the parties that the incurrence of any obligation by the State under this Agreement, including any payments to be made hereunder from the Transportation Trust Fund Subaccount or the Special Transportation Fund, shall be subject to and dependent upon appropriations being made from time to time by the Legislature for the purposes of the Act.

ARTICLE VII

SEVERABILITY OF INVALID PROVISIONS

7.1. If any one or more of the covenants or agreements provided in this Agreement to be performed on the part of the Treasurer, the Commissioner or the Authority should be deemed contrary to law, then such covenant or covenants, agreement or agreements, shall be deemed severable from the remaining agreements and covenants and shall in no way affect the validity of the other provisions of this Agreement.

ARTICLE VIII

GOVERNING LAW

8.1. This Agreement shall be construed and governed in accordance with the laws of the State of New Jersey.

ARTICLE IX

HEADINGS

9.1. Headings preceding the texts of the several Articles hereof are solely for the convenience of reference and shall not constitute a part of this Agreement or affect its meaning, construction or effect.

ARTICLE X

EXECUTION IN COUNTERPARTS

10.1. This Agreement may be executed in several counterparts, each of which shall be deemed an original and all of which shall constitute but one and the same instrument.

ARTICLE XI

AMENDMENTS AND SUPPLEMENTS

11.1. This Agreement may be amended or supplemented from time to time when necessary or desirable to further implement the provisions of the Act; provided that no amendment or supplement to this Agreement shall adversely affect the interests of the holders of the Authority's bonds, notes or other obligations issued pursuant to the 1995 Bond Resolution and secured by this Agreement.

ARTICLE XII

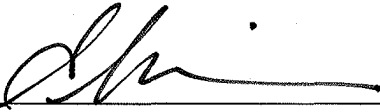
EFFECTIVE DATE AND TERMINATION

12.1. This Agreement shall become effective as of October 3, 2018.

12.2. This Agreement shall terminate when the Authority shall have paid or made provision for payment of all of its bonds, notes or other obligations issued pursuant to the 1995 Bond Resolution and secured by this Agreement.

IN WITNESS WHEREOF, the parties have themselves executed and or have done so by their officers thereunto duly authorized the date and year first written above.

TREASURER, STATE OF NEW JERSEY

By: 
ELIZABETH MAHER MUOIO
Treasurer

COMMISSIONER, NEW JERSEY
DEPARTMENT OF TRANSPORTATION

By: _____
DIANE GUTIERREZ-SCACCETTI
Commissioner

NEW JERSEY TRANSPORTATION
TRUST FUND AUTHORITY


By: 
MICHAEL KANEF
Treasurer

IN WITNESS WHEREOF, the parties have themselves executed and or have done so by their officers thereunto duly authorized the date and year first written above.

TREASURER, STATE OF NEW JERSEY

By: _____
ELIZABETH MAHER MUOIO
Treasurer

COMMISSIONER, NEW JERSEY
DEPARTMENT OF TRANSPORTATION

By: 
DIANE GUTIERREZ-SCACCETTI
Commissioner

NEW JERSEY TRANSPORTATION
TRUST FUND AUTHORITY

By: _____
MICHAEL KANEF
Treasurer

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APPENDIX IV

FORM OF THE CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

This **CONTINUING DISCLOSURE AGREEMENT** (the “Disclosure Agreement”) is made as of the 1st day of June, 2023, by and among the TREASURER OF THE STATE OF NEW JERSEY (the “Treasurer”), the NEW JERSEY TRANSPORTATION TRUST FUND AUTHORITY (the “Authority”), a public body corporate and politic of the State of New Jersey (the “State”), and U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, as Dissemination Agent (the “Dissemination Agent”), in its capacity as trustee under the 1995 Transportation System Bond Resolution adopted by the Authority on June 15, 1995, as amended and supplemented (the “General Bond Resolution”), including as supplemented by the Thirty-Third Supplemental Transportation System Bond Resolution adopted by the Authority on December 15, 2022, and a Series Certificate of the Authority, dated as of May 25, 2023 (collectively, the “Resolution”). This Disclosure Agreement is entered into in connection with the issuance and sale of the Authority’s \$_____ Transportation System Bonds, 2023 Series A (the “2023 Series Bonds”).

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered for the benefit of the holders and beneficial owners of the 2023 Series Bonds (collectively, the “Holders”) and in compliance with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the “SEC”), as it may be amended from time to time, including administrative or judicial interpretations thereof, as it applies to the 2023 Series Bonds.

SECTION 2. Definitions. In addition to the definitions set forth above and in the Resolution, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined herein, the following capitalized terms shall have the following meanings:

“**Continuing Disclosure Information**” shall mean, collectively, (i) each Treasurer’s Annual Report, (ii) any notice required to be filed with the MSRB pursuant to Section 3(c) of this Disclosure Agreement, and (iii) any notice of a Listed Event required to be filed with the MSRB pursuant to Section 5(c) of this Disclosure Agreement.

“**Listed Event**” or “**Listed Events**” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“**MSRB**” shall mean the Municipal Securities Rulemaking Board.

“**Obligated Person**” shall have the meaning given to such term in the Rule.

“**Opinion of Counsel**” shall mean a written opinion of counsel expert in federal securities law acceptable to the Treasurer and the Authority, which may be counsel or bond counsel to the Authority.

“**Rule**” shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as it may be amended from time to time, including administrative or judicial interpretations thereof, as it applies to the 2023 Series Bonds.

“**Treasurer’s Annual Report**” shall mean the Treasurer’s Annual Report provided pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

SECTION 3. Provision of the Treasurer's Annual Report.

(a) The Treasurer shall, no later than March 15, 2024 and March 15 of each year during which any of the 2023 Series Bonds remain Outstanding, provide to the Dissemination Agent the Treasurer's Annual Report prepared for the fiscal year of the State ending the immediately preceding June 30 (or if the fiscal year of the State shall end on any date other than June 30, the Treasurer shall provide the Treasurer's Annual Report to the Dissemination Agent not later than the fifteenth day of the ninth month next following the end of such other fiscal year); provided, however, that the audited financial statements of the State may be submitted separately from the Treasurer's Annual Report and later than the date required herein for the filing of the Treasurer's Annual Report if such audited financial statements are not available by such date, but only if the unaudited financial statements are included in such respective Treasurer's Annual Report. Each Treasurer's Annual Report provided to the Dissemination Agent by the Treasurer shall comply with the requirements of Section 4 of this Disclosure Agreement but may be submitted as a single document or as separate documents comprising a package. Each Treasurer's Annual Report 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. Unless otherwise required by law, any Continuing Disclosure Information filed with the MSRB in accordance with this Disclosure Agreement shall be in an electronic format as shall be prescribed by MSRB Rule G-32, and shall be accompanied by such identifying information as shall be prescribed by MSRB Rule G-32.

(b) The Dissemination Agent, promptly on receiving the Treasurer's Annual Report, and, in any event, not later than April 1 in each year (or if the fiscal year of the State shall end on any date other than June 30, not later than the first day of the tenth month next following the end of such other fiscal year), shall submit such Treasurer's Annual Report received by it to the MSRB in accordance with the Rule.

(c) If the Treasurer fails to submit the Treasurer's Annual Report to the Dissemination Agent by the date required in subsection (a) of this Section 3, the Dissemination Agent shall send a notice to the Treasurer and the Authority advising of such failure. Whether or not such notice is given or received, if the Treasurer thereafter fails to submit the Treasurer's Annual Report to the Dissemination Agent or to submit it directly to the MSRB as provided in subsection (d) of this Section 3 by the last Business Day of the month in which such Treasurer's Annual Report was due, the Dissemination Agent shall promptly send a notice to the MSRB, in substantially the form attached as Exhibit A hereto.

(d) (i) Notwithstanding anything to the contrary contained in this Disclosure Agreement, in order to expedite the transmission of the Treasurer's Annual Report to the MSRB, as set forth in subsections (a), (b) and (c) of this Section 3, the Treasurer shall have the option, but shall not be obligated, to submit the Treasurer's Annual Report directly to the MSRB (a) by not later than March 15, 2024 with respect to the twelve month fiscal period of the State ending June 30, 2023, and (b) by not later than March 15 of each year thereafter during which any of the 2023 Series Bonds remain Outstanding, (or if the fiscal year of the State shall end on any date other than June 30, not later than the fifteenth day of the ninth month next following the end of such other fiscal year). In the event that the Treasurer elects to submit the Treasurer's Annual Report directly to the MSRB, the Treasurer shall, at the same time, submit the Treasurer's Annual Report to the Dissemination Agent together with evidence that such Treasurer's Annual Report has been forwarded by the Treasurer to the MSRB, upon which

evidence the Dissemination Agent may rely. In the event that the Treasurer elects not to submit the Treasurer's Annual Report directly to the MSRB, the Treasurer shall provide the Treasurer's Annual Report to the Dissemination Agent within the time period specified in subsection (a) of this Section 3.

(ii) If the Dissemination Agent does not receive notice that the Treasurer has submitted the Treasurer's Annual Report directly to the MSRB as provided in subsection (d)(i) of this Section 3 by the last Business Day of the month in which such Treasurer's Annual Report was due, the Dissemination Agent shall promptly send a notice to the MSRB, in substantially the form attached as Exhibit A hereto.

SECTION 4. Contents of the Treasurer's Annual Report.

(a) Treasurer's Annual Report means (i) information pertaining to the finances and operating data of the State substantially of the type captioned as follows in Appendix I to the Official Statement of the Authority circulated in connection with the issuance of the 2023 Series Bonds: "STATE FINANCES," "FINANCIAL RESULTS AND ESTIMATES," "CASH MANAGEMENT," "TAX AND REVENUE ANTICIPATION NOTES," "LONG-TERM OBLIGATIONS," "MORAL OBLIGATIONS," "STATE EMPLOYEES," "STATE FUNDING OF PENSION PLANS," "FUNDING POST-RETIREMENT MEDICAL BENEFITS" and "LITIGATION" and (ii) the State's Annual Comprehensive Financial Report, being the audit report prepared annually by the Office of the State Auditor with respect to the State's general purpose financial statements for each year, all such financial information included in clause (ii) above being prepared using the accounting standards set forth in subsection (b) of this Section 4.

(b) The State prepares its financial statements in accordance with the provisions of Statements No. 34 and No. 35 of the Governmental Accounting Standards Board.

SECTION 5. Reporting of Listed Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following Listed Events:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of 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 2023 Series

Bonds, or other material events affecting the tax status of the 2023 Series Bonds;

- (7) Modifications to rights of Holders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances of the 2023 Series Bonds;
- (10) Release, substitution or sale of property securing repayment of the 2023 Series Bonds, if material;
- (11) Rating changes relating to the 2023 Series Bonds;
- (12) Bankruptcy, insolvency, receivership or similar event of the Obligated Person;¹
- (13) The consummation of a merger, consolidation, or acquisition involving the 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;
- (14) Appointment of a successor or additional trustee for the 2023 Series Bonds or the change of name of a trustee for the 2023 Series Bonds, if material;
- (15) Incurrence of a Financial Obligation (as defined below) of the Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Obligated Person, any of which affect Holders, if material; and
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Obligated Person, any of which reflect financial difficulties.

With respect to events (15) and (16), “Financial Obligation” means a (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of

¹ For the purposes of the event identified in paragraph (a)(12) of this Section 5, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for the Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

payment for, an existing or planned debt obligation; or (C) guarantee of (A) or (B), but shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

(b) The Treasurer shall in a timely manner not in excess of seven (7) Business Days after the occurrence of any Listed Event notify the Dissemination Agent in writing to report the event pursuant to subsection (c) of this Section 5. The Authority shall promptly upon obtaining actual knowledge of the occurrence of any of the Listed Events notify the Treasurer in writing of the occurrence of such event, but shall not be required to give any such notice to the Dissemination Agent. In determining the materiality of any of the Listed Events specified in subsection (a) of this Section 5, the Treasurer and the Authority may, but shall not be required to, rely conclusively on an Opinion of Counsel.

(c) If the Dissemination Agent has been instructed by the Treasurer to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB within three (3) Business Days of the receipt of such instruction, but in no event later than ten (10) Business Days after the occurrence of a Listed Event. In addition, notice of Listed Events described in subsections (a)(8) and (9) of this Section 5 shall be given by the Dissemination Agent under this subsection simultaneously with the giving of the notice of the underlying event to the Holders of the affected 2023 Series Bonds pursuant to the Resolution.

(d) Notwithstanding anything to the contrary in this Disclosure Agreement, in order to expedite the transmission of the occurrence of Listed Events as set forth in this Section 5, the Treasurer shall have the option, but shall not be obligated to, file timely notice (which notice, if filed, shall not be filed in excess of ten (10) Business Days after the occurrence of any Listed Event), directly with the MSRB, copying the Dissemination Agent on any such notice.

(e) Each notice of a Listed Event relating to the 2023 Series Bonds shall include the CUSIP numbers of the 2023 Series Bonds to which such notice relates or, if the notice relates to all bond issues of the Authority, including the 2023 Series Bonds, such notice need only include the base CUSIP number of the Authority.

SECTION 6. Termination of Reporting Obligation. The respective obligations of the Treasurer and the Authority under this Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the 2023 Series Bonds.

SECTION 7. Amendment; Waiver. Notwithstanding any other provisions of this Disclosure Agreement, the Authority and the Treasurer may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an Opinion of Counsel addressed to the Treasurer, the Authority and the Dissemination Agent to the effect that such amendment or waiver will not, in and of itself, cause the undertakings herein to violate the Rule. No amendment to this Disclosure Agreement shall change or modify the rights or obligations of the Dissemination Agent without its written assent thereto.

SECTION 8. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Treasurer or the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Treasurer's Annual Report or notice of occurrence of a Listed Event, as the case may be, in addition to that which is required by this Disclosure Agreement. If the Treasurer or the Authority chooses to include any information in

any Treasurer's Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, it shall not have any obligation under this Disclosure Agreement to update or continue to provide such information or include it in any future Treasurer's Annual Report or notice of occurrence of a Listed Event.

SECTION 9. Default.

(a) In the event of a failure of the Treasurer or the Authority to comply with any provision of this Disclosure Agreement, the Dissemination Agent may (and, at the written request of the Holders of at least 25% in aggregate principal amount of Outstanding 2023 Series Bonds affected by such failure shall), or any Holder may, take such actions as may be necessary and appropriate to cause the Treasurer or the Authority to comply with its obligations under this Disclosure Agreement; provided, however, that no person or entity shall be entitled to recover monetary damages hereunder under any circumstances. Notwithstanding the foregoing, the right of any Holder to challenge the adequacy of information provided pursuant to this Disclosure Agreement shall be limited in the same manner as enforcement rights are limited under the General Bond Resolution. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Agreement in the event of any failure of the Treasurer or the Authority to comply with this Disclosure Agreement shall be an action to compel performance.

(b) For purposes of this Disclosure Agreement, in making determinations under applicable securities law, the Treasurer or the Authority may, but shall not be required to, rely on an Opinion of Counsel with respect to matters of a legal nature.

SECTION 10. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Dissemination Agent and the Holders, and each Holder is hereby declared to be a third-party beneficiary of this Disclosure Agreement. Except as provided in the immediately preceding sentence, this Disclosure Agreement shall create no rights in any other person or entity.

SECTION 11. Reimbursement of the Dissemination Agent. The provisions of Section 905 of the General Bond Resolution relating to reimbursement of a Fiduciary shall apply to the performance by the Dissemination Agent of its obligations as Dissemination Agent under this Disclosure Agreement.

SECTION 12. Notices. All notices and other communications required or permitted under this Disclosure Agreement shall be in writing and shall be deemed to have been duly given, made and received only when delivered (personally, by recognized national or regional courier service, or by other messenger, for delivery to the intended addressee) or when deposited in the United States mail, registered or certified mail, postage prepaid, return receipt requested, addressed as set forth below:

(i) If to the Authority:

New Jersey Transportation Trust Fund Authority
Finance and Administration Building
1035 Parkway Avenue, P.O. Box 600
Trenton, New Jersey 08625
Attn: Executive Director

(ii) If to the Treasurer:

New Jersey Department of the Treasury
c/o Office of Public Finance
50 West State Street, 5th Floor
P.O. Box 005
Trenton, New Jersey 08625
Attn: Director, Office of Public Finance

(iii) If to the Dissemination Agent:

U.S. Bank Trust Company, National Association
333 Thornall Street
Edison, New Jersey 08837
Attn: Corporate Trust Department

Any party may alter the address to which communications are to be sent by giving notice of such change of address in conformity with the provisions of this Section 12 for the giving of notice.

SECTION 13. Successors and Assigns. All of the covenants, promises and agreements contained in this Disclosure Agreement by or on behalf of the Treasurer, the Authority or the Dissemination Agent shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

SECTION 14. Headings for Convenience Only. The descriptive headings in this Disclosure Agreement are inserted for convenience of reference only and shall not control or affect the meaning or construction of any of the provisions hereof.

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 16. Severability. If any provision of this Disclosure Agreement, or the application of any such provision in any jurisdiction or to any person or circumstance, shall be held invalid or unenforceable, the remaining provisions of this Disclosure Agreement, or the application of such provision as is held invalid or unenforceable in jurisdictions or to persons or circumstances other than those in or as to which it is held invalid or unenforceable, shall not be affected thereby.

SECTION 17. Governing Law and Venue. This Disclosure Agreement shall be governed by and construed in accordance with the laws of the State. The parties hereto agree that the Authority, the Treasurer or the State may be sued, pursuant to Section 9 hereof, only in a State court in the County of Mercer in the State.

SECTION 18. Compliance with L. 2005, c. 271. The Dissemination Agent hereby acknowledges that it has been advised of its responsibility to file an annual disclosure statement on political contributions with the New Jersey Election Law Enforcement Commission ("ELEC") pursuant to N.J.S.A. 19:44A-20.13 (L. 2005, c. 271, section 3) if the Dissemination Agent enters into agreements or contracts, such as this Disclosure Agreement, with a public entity, such as the Authority, and receives compensation or fees in excess of \$50,000 or more in the aggregate from public entities, such as the Authority, in a calendar year. It is the Dissemination Agent's

responsibility to determine if filing is necessary. Failure to do so can result in the imposition of financial penalties by ELEC. Additional information about this requirement is available from ELEC at 888-313-3532 or at www.elec.state.nj.us.

SECTION 19. Compliance with L. 2005, c. 92. In accordance with L. 2005, c. 92, the Dissemination Agent agrees that all services performed under this Disclosure Agreement or any subcontract awarded under this Disclosure Agreement shall be performed within the United States of America.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Disclosure Agreement to be executed and delivered by their proper and duly authorized officers as of the day and year first above written.

TREASURER, STATE OF NEW JERSEY

By: _____
Elizabeth Maher Muoio
State Treasurer

**NEW JERSEY TRANSPORTATION
TRUST FUND AUTHORITY**

By: _____
Executive Director

**U.S. BANK TRUST COMPANY,
NATIONAL ASSOCIATION, as Dissemination Agent**

By: _____
Paul O'Brien
Vice President

[SIGNATURE PAGE TO CONTINUING DISCLOSURE AGREEMENT]

EXHIBIT A

NOTICE OF FAILURE TO FILE AN ANNUAL REPORT

Name of Issuer: New Jersey Transportation Trust Fund Authority
Name of Issue affected: \$ _____ Transportation System Bonds, 2023 Series A
Date of Issuance of affected Bond issue: June 1, 2023

NOTICE IS HEREBY GIVEN that the Treasurer of the State of New Jersey has not provided the Treasurer's Annual Report with respect to the above-named issue as required by Section 3 of the Continuing Disclosure Agreement dated June 1, 2023 among the Treasurer, the Authority and the Dissemination Agent.

[TO BE INCLUDED ONLY IF THE DISSEMINATION AGENT HAS BEEN ADVISED OF THE EXPECTED FILING DATE – The Treasurer anticipates that the specified Treasurer's Annual Report will be filed by _____.]

Dated: _____

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, as Dissemination Agent

By: _____
Name:
Title:

cc: Treasurer
Authority

APPENDIX V

FORM OF OPINION OF BOND COUNSEL

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[UPON DELIVERY OF THE 2023 SERIES A BONDS, M. JEREMY OSTOW, ESQ., BOND COUNSEL, IS EXPECTED TO RENDER HIS APPROVING LEGAL OPINION IN SUBSTANTIALLY THE FOLLOWING FORM]

[Closing Date]

New Jersey Transportation Trust Fund Authority
Trenton, New Jersey

The Honorable Elizabeth Maher Muoio
Treasurer, State of New Jersey
Trenton, New Jersey

Re: New Jersey Transportation Trust Fund Authority
Transportation System Bonds, 2023 Series A

Ladies and Gentlemen:

I have acted as Bond Counsel to the New Jersey Transportation Trust Fund Authority (the "Authority"), a public body corporate and politic and an instrumentality of the State of New Jersey (the "State"), created pursuant to the New Jersey Transportation Trust Fund Authority Act, constituting Chapter 73 of the Laws of 1984 of the State, as amended and supplemented, including without limitation, by L. 2012, c. 13 and L. 2016, c. 56 (the "Act"), in connection with the Authority's issuance of its Transportation System Bonds, 2023 Series A in the aggregate principal amount of \$_____ (the "2023 Series A Bonds").

The 2023 Series A Bonds are issued under and pursuant to (i) the Constitution and laws of the State including, without limitation, the Act; and (ii) a resolution of the Authority adopted on June 15, 1995 entitled "1995 Transportation System Bond Resolution" (the "Bond Resolution"), as supplemented, including a "Thirty-Third Supplemental Transportation System Bond Resolution" adopted by the Authority on December 15, 2022 (the "Thirty-Third Supplemental Resolution") and a certificate of the Authority, dated the date of sale of the 2023 Series A Bonds entitled "2023 Series A Certificate" (the "Series Certificate"; the Bond Resolution, as amended and supplemented, including by the Thirty-Third Supplemental Resolution and the Series Certificate, is referred to herein as the "Resolution"). Capitalized terms used but not defined in this opinion shall have the respective meanings given to them in the Resolution.

The 2023 Series A Bonds are being issued for the purposes of paying (i) the purchase price of certain outstanding Transportation System Bonds of the Authority which have been tendered for purchase by the Authority pursuant to the Invitation to Tender Bonds dated May 8, 2023 (the "Invitation"), (ii) the costs of defeasing certain other outstanding Transportation System Bonds of the Authority, and (iii) the costs of issuance of the 2023 Series A Bonds and the costs of the Invitation.

Simultaneously with the issuance of the 2023 Series A Bonds, the Authority has issued its \$_____ aggregate principal amount of its Transportation Program Bonds, 2023 Series AA (the "2023 Series AA Bonds") for the primary purpose of refunding certain outstanding Transportation Program Bonds of the Authority.

The 2023 Series A Bonds are dated and bear interest from their date of delivery. Interest on the 2023 Series A Bonds will be payable semi-annually on each June 15 and December 15,

commencing December 15, 2023. The 2023 Series A Bonds bear interest at the rates per annum, will mature on June 15 in each of the years and will be subject to redemption prior to maturity all as set forth in the Resolution.

The 2023 Series A Bonds are issuable only in fully registered form without coupons and, when issued, will be registered initially in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York, an automated depository for securities and clearinghouse for securities transactions. Purchases of the 2023 Series A Bonds will be in book-entry only form without certificates in the denominations of \$5,000 or integral multiples thereof and are lettered and numbered from one upward preceded by the letter "R" prefixed to the number.

The Act provides for certain payments to be made to the Authority from the Subaccount for Debt Service for Transportation System Bonds within the Transportation Trust Fund Account in the State General Fund, subject to and dependent upon appropriations being made from time to time by the New Jersey State Legislature (the "State Legislature") for such purpose. Pursuant to the Act, the Authority, the State Treasurer (the "Treasurer") and the Commissioner of the New Jersey Department of Transportation (the "Commissioner") have entered into the "Fourth Amended and Restated Contract Implementing Funding Provisions of the New Jersey Transportation Trust Fund Authority Act with respect to Transportation System Bonds", dated as of October 3, 2018 (the "State Contract"), to implement such payments and other arrangements provided for in the Act. Pursuant to the State Contract, the Treasurer has agreed to make payments to the Authority solely from amounts appropriated by the State Legislature in amounts sufficient to pay, when due, the principal of and interest on all Bonds issued under the Resolution, including the 2023 Series A Bonds, subject to and dependent upon appropriations being made from time to time by the State Legislature.

In the Resolution, the Authority has pledged the Pledged Property as security for all Bonds issued under the Resolution, including the 2023 Series A Bonds. The Pledged Property consists of the Revenue Contracts, the Revenues (including the Subsidy Payments) and the Funds (other than the Debt Service Reserve Fund and the Rebate Fund) created under the Resolution, including Investment Securities held in any such Fund, together with all proceeds and revenues of the foregoing and all of the Authority's right, title and interest therein, and all other moneys, securities or funds pledged for the payment of the principal of and interest on the Bonds in accordance with the terms and provisions of the Resolution. All Bonds issued under the Resolution are special obligations of the Authority which are payable solely from, and secured solely by, the Pledged Property.

The 2023 Series A Bonds shall not, in any way, be a debt or liability of the State or of any political subdivision thereof (other than the Authority to the limited extent set forth in the Resolution) and shall not create or constitute an indebtedness, liability or obligation of the State or of any political subdivision thereof (other than the Authority to the limited extent set forth in the Resolution) or be or constitute a pledge of the faith and credit of the State or any political subdivision thereof. The Authority has no taxing power.

The Authority reserves the right to issue additional Bonds for the purposes and on the conditions stated in the Resolution. As provided in the Resolution, any such additional Bonds (except Subordinated Debt as defined in the Resolution) may be secured equally as to security

and payment with the 2023 Series A Bonds.

In connection with the opinions set forth below, I have examined such documents, records of the Authority and other instruments, including original counterparts or certified copies of the Resolution and the other documents listed in the record of proceedings relating to the issuance of the 2023 Series A Bonds, and such matters of law and other proofs, as I deemed necessary to enable me to express the opinions set forth below. In my examination, I have assumed the legal capacity of all natural persons, the genuineness of all signatures, the authenticity of all documents tendered to me as originals and the conformity to original documents of all documents submitted to me as certified, conformed or photostatic copies.

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

1. The Authority is a public body corporate and politic and an instrumentality of the State, duly organized and validly existing under the Act and has the right, power and authority under the Act to adopt the Resolution, to execute the Series Certificate, to enter into the State Contract and to issue the 2023 Series A Bonds.

2. The Resolution has been duly and lawfully adopted by the Authority, is in full force and effect and is valid and binding upon the Authority and enforceable against the Authority in accordance with its terms, and no other authorization for the Resolution is required which has not been obtained.

3. The Resolution creates the valid pledge which it purports to create of the Pledged Property, including payments made to the Authority pursuant to the State Contract, subject to and dependent upon appropriations being made from time to time by the State Legislature for such purpose.

4. The 2023 Series A Bonds have been duly and validly authorized and issued by the Authority in accordance with the Constitution and the statutes of the State, including the Act and the Resolution, constitute valid and binding obligations of the Authority as provided in the Resolution, are entitled to the benefits of the Resolution, the State Contract and the Act and are enforceable in accordance with their terms and the terms of the Resolution.

5. The State Contract is in full force and effect and is valid and binding upon the Authority, the Commissioner and the Treasurer and enforceable against the Authority, the Commissioner and the Treasurer in accordance with its terms, provided that the payment obligations thereunder are subject to and dependent upon appropriations being made from time to time by the State Legislature for such purpose.

6. The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met subsequent to the issuance and delivery of the 2023 Series A Bonds in order that interest on the 2023 Series A Bonds be and remain excludable from the gross income of the owners thereof for Federal income tax purposes. In its Tax Regulatory Agreement (the "Tax Certificate") executed by the Authority in connection with the issuance of the 2023 Series A Bonds (but which does not constitute a covenant under the Resolution), the Authority represents that the Authority expects and intends to be able to comply

with and will, to the extent permitted by law, comply with the provisions and procedures set forth in the Tax Certificate and do and perform all acts and things necessary or desirable in order to assure that, under the Code as presently in effect, interest on the 2023 Series A Bonds will, for purposes of Federal income taxation, be and remain excludable from the gross income of the owners thereof. In rendering the opinion set forth in this Paragraph 6, I have assumed the Authority's compliance with the applicable provisions of the Tax Certificate.

Pursuant to the applicable provisions of the Code and related rulings, regulations and judicial decisions, interest on the 2023 Series A Bonds is not includable in gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code and is not treated as a preference item under Section 57 of the Code for purposes of computing the federal alternative minimum tax imposed on individuals. However, such interest is taken into account in determining the "adjusted financial statement income" (as defined in Section 56A of the Code) of "applicable corporations" (as defined in Section 59(k) of the Code) for purposes of computing the alternative minimum tax imposed on such corporations for tax years beginning after December 31, 2022.

No opinion is expressed, however, as to the extent the accrual or receipt of interest on the 2023 Series A 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.

7. I am also of the opinion that interest on the 2023 Series A Bonds and any gain realized on the sale thereof are not includable in gross income under the New Jersey Gross Income Tax Act, as amended.

The foregoing opinions are qualified to the extent that the enforceability of the Resolution, the State Contract, the 2023 Series A Bonds and all related obligations of the various parties thereto may be limited as to remedies by any applicable bankruptcy, insolvency, debt adjustment, reorganization, moratorium and similar laws of general application at the time in effect and by judicial decisions and principles of equity affecting creditors' rights generally and judicial discretion. In addition, I wish to advise you that no opinion is being rendered as to the availability of any particular remedy under the Resolution, the State Contract or the 2023 Series A Bonds.

This opinion is issued as of the date hereof, and I assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may come to my attention after the date of this opinion, or any changes in law or interpretations thereof that may occur after the date of this opinion, or for any reason whatsoever.

Very truly yours,

APPENDIX VI

DTC BOOK-ENTRY-ONLY SYSTEM

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DTC BOOK-ENTRY-ONLY SYSTEM

The information set out below is subject to any change in or interpretation of the rules, regulations and procedures of The Depository Trust Company (“DTC”) currently in effect. The information in this Appendix VI concerning DTC has been obtained from sources that the Authority believes to be reliable, but none of the Authority or the Trustee take any responsibility for the accuracy, completeness or adequacy of the information in this Appendix VI. Investors wishing to use the facilities of DTC are advised to confirm the continued applicability of the rules, regulations and procedures of DTC. The Authority will not have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the 2023 Series A Bonds held through the facilities of DTC or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

DTC Book-Entry-Only System. DTC will act as Securities Depository for the 2023 Series A Bonds. The 2023 Series A 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 of the 2023 Series A Bonds and, if applicable, each interest rate within a maturity of the 2023 Series A Bonds, in the aggregate principal amount of each such maturity, 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 is rated AA+ by Standard & Poor's. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission.

Purchases of 2023 Series A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2023 Series A Bonds on DTC's records. The ownership interest of each actual purchaser of each 2023 Series A Bond (“Beneficial Owner”) is in turn to be recorded on the Direct Participants' 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 Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2023 Series A Bonds are to be accomplished by entries made on the books of Direct Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2023 Series A Bonds, except in the event that use of the book-entry system for the 2023 Series A Bonds is discontinued.

To facilitate subsequent transfers, all 2023 Series A 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 2023 Series A 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 2023 Series A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2023 Series A Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants 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 2023 Series A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2023 Series A Bonds, such as redemptions, tenders, defaults and proposed amendments to the 2023 Series A Bonds documents. For example, Beneficial Owners of the 2023 Series A Bonds may wish to ascertain that the nominee holding the 2023 Series A 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 2023 Series A Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2023 Series A Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority 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 2023 Series A 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 2023 Series A 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 Authority 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 Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of 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 Authority 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 Participants and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2023 Series A Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, 2023 Series A Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2023 Series A Bond certificates will be printed and delivered to DTC.

NONE OF THE AUTHORITY, THE TRUSTEE OR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION, EITHER SINGULARLY OR JOINTLY, TO DTC PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DTC PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE HOLDERS OF THE 2023 SERIES A BONDS UNDER THE RESOLUTION; (III) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR INTEREST DUE WITH RESPECT TO THE 2023 SERIES A BONDS; (IV) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT/INTEREST OF A PARTIAL REDEMPTION OF THE 2023 SERIES A BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE HOLDER OF THE 2023 SERIES A BONDS; OR (VI) ANY OTHER MATTER.

SO LONG AS CEDE & CO., AS NOMINEE FOR DTC, IS THE REGISTERED OWNER OF ALL OF THE 2023 SERIES A BONDS, REFERENCES IN THIS APPENDIX VI TO THE OWNERS, HOLDERS OR REGISTERED OWNERS OF THE 2023 SERIES A BONDS (OTHER THAN UNDER THE CAPTIONS “TAX MATTERS” AND “CONTINUING DISCLOSURE AGREEMENT” HEREIN) SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE 2023 SERIES A BONDS.

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APPENDIX VII

LIST OF BONDS TO BE PURCHASED AND/OR DEFEASED

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BONDS TO BE PURCHASED AND/OR DEFEASED*

**TRANSPORTATION SYSTEM BONDS,
2019 SERIES B (FEDERALLY TAXABLE)**

BONDS TO BE PURCHASED

<u>Maturity (June 15)</u>	<u>Principal Amount Outstanding</u>	<u>Interest Rate</u>	<u>CUSIP**</u>	<u>Amount to be Purchased</u>
2039	\$ 359,010,000	4.081%	646136 6R7	\$
2042	447,920,000	4.131	646136 6S5	

BONDS TO BE DEFEASED

<u>Maturity (June 15)</u>	<u>Principal Amount Outstanding</u>	<u>Interest Rate</u>	<u>CUSIP**</u>	<u>Amount to be Defeased</u>
2024	\$ 47,615,000	2.631%	646136 6Q9	\$

* Preliminary, subject to change.

** The CUSIP numbers are being provided solely for the convenience of the holders of the Bonds to be Purchased and/or Defeased only and the Authority does not make any representation with respect to such numbers or undertake any responsibility for their accuracy.

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