

EXECUTIVE ORDER NO. 209

WHEREAS, on February 16, 2016, I fulfilled my obligations as Governor of the State of New Jersey by delivering the Governor's annual budget recommendations to the Legislature with respect to Fiscal Year 2017; and

WHEREAS, in recognition of ongoing, skyrocketing growth in health care costs that threatens to erode the State's ability to address important priorities including pensions, education, public safety, and critical services to those in need, my budget recommendations included an assumption that a combination of reasonable, common-sense reforms would be implemented to save \$250 million in public employee and retiree health care costs to offset anticipated growth in those costs during Fiscal Year 2017; and

WHEREAS, on May 19, 2016, the Acting State Treasurer ("Treasurer") appeared before the Senate and General Assembly budget committees to update the Governor's Fiscal Year 2017 budget recommendations, reiterating the need for health care savings to offset anticipated growth in health care costs during the upcoming fiscal year, and that the Governor's budget recommendations did not otherwise include funding for those escalating costs; and

WHEREAS, on June 3, 2016, my Administration transmitted to the Legislature a series of budget resolutions to implement the Governor's updated budget recommendations, consistent with the Treasurer's May testimony; and

WHEREAS, one of those resolutions recommended an item of budget language establishing an orderly procedure for achieving the assumed budget savings in a timely manner, prior to the expiration of Fiscal Year 2017; and

WHEREAS, more specifically, the recommended budget language provided: "Notwithstanding the provisions of P.L.2011, c.78 or any other law or regulation to the contrary, the amounts hereinabove appropriated for employee health benefits are subject to the following conditions: (1) the employee health benefits appropriations do not provide for year-over-year growth in State health benefits spending, instead of approximately \$250 million in additional new State spending that would be required in FY 2017 without common sense reforms; accordingly, within 30 days of the effective date of this act, the State Health Benefits Program (SHBP) Plan Design Committee and the School Employees' Health Benefits Program (SEHBP) Plan Design Committee (Plan Design Committees) shall approve cost-saving measures that will result in FY 2017 State health benefits savings totaling not less than \$250 million; (2) provided further, in the event that the PDCs fail to satisfy the first condition set forth in this paragraph by approving less than \$250 million in health benefits savings for FY 2017 within the specified time period, the State Treasurer, in consultation with the Division of Pensions and Benefits and the Division of Budget and Accounting, shall identify cost-saving measures that will result in FY 2017 State health benefits savings totaling \$250 million, or such lesser amount as the State Treasurer shall determine, and those measures shall be implemented as plan design changes."

WHEREAS, instead of including the recommended budget language, or restoring the funding that would be necessary to support anticipated growth during Fiscal Year 2017 in the unreformed health benefits system, the legislative majority included the following budget language in its appropriations bill: "The State Health Benefits Program Plan Design Committee

and the School Employees' Health Benefits Program Plan Design Committee may review potential cost-savings for FY 2017 State health benefits of \$250,000,000."; and

WHEREAS, the permissive nature of the Legislature's budget language, considered in conjunction with the historical reluctance of some members of the Plan Design Committees to embrace even the most modest of common-sense reforms, calls into question whether the Fiscal Year 2017 health benefits savings embedded in the Legislature's budget is realistically likely to be achieved; and

WHEREAS, the New Jersey State Constitution requires the Governor to take care that the laws of this State be faithfully executed, N.J.Const. (1947) Article V, Section 1, Paragraph 11, including ensuring compliance with the constitutional mandate that a balanced State budget be maintained, N.J.Const. (1947) Article VIII, Section 2, Paragraph 2; and

WHEREAS, during the course of a fiscal year, the Director of the Division of Budget and Accounting ("Director") may take steps to freeze State spending by placing certain funds in reserve in order to ensure that the State's budget remains balanced and to protect against and meet emergencies that may arise during the fiscal year pursuant to N.J.S.A. 52:27B-26, and the Governor also may enjoin expenditures and prescribe the terms on which such expenditures may be made, if at all, pursuant to N.J.S.A. 52:27B-31 to ensure that appropriations are not used to support waste, mismanagement or extravagance in a time of potentially diminished fiscal resources; and

WHEREAS, failure to exercise any of these powers risks the State potentially lacking resources necessary to maintain a responsible fund balance while providing for essential State services and basic operations of State government for Fiscal

Year 2017, potentially causing immediate adverse impacts on the residents of the State;

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

1. In light of these facts and circumstances described above, the Director is hereby ordered immediately to identify and place into reserve items of appropriation, pursuant to N.J.S.A. 52:27B-26, in an amount sufficient to ensure that the State budget remains in balance while maintaining a responsible anticipated closing fund balance. The amounts immediately reserved shall include all legislative additions to my recommended budget for Fiscal Year 2017, as determined by the Director, and half of the appropriation for Transitional Aid to Localities, along with such other amounts of such items of appropriation as the Director shall determine to be necessary to effectuate the purposes of this Order. The Director shall notify the Governor immediately of the list of items placed into reserve.

2. The Treasurer shall monitor the meetings and activities of the Plan Design Committees, and shall identify the value of estimated health benefits savings achieved by the Committees for Fiscal Year 2017, in addition to the impact that any reforms may have in future fiscal years. The Treasurer shall immediately notify the Governor as such savings are achieved. Thereafter, upon receiving notification from the Treasurer that health benefits savings have been achieved, the Director may release from reserve, pursuant to N.J.S.A. 52:27B-26, items of appropriation in consideration of the savings achieved.

3. The Treasurer is further ordered, in consultation with the Acting Attorney General ("Attorney General"), to determine the specific steps that would be necessary to withdraw the State of New Jersey from the Reciprocal Personal Income Tax Agreement Between the Commonwealth of Pennsylvania and the State of New Jersey, and shall prepare an estimate of the effects such a withdrawal would have on New Jersey's revenue collections.

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

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

GIVEN, under my hand and seal this
30th day of June,
Two Thousand and Sixteen,
and of the Independence of
the United States, the Two
Hundred and Fortieth.

[seal]

/s/ Chris Christie
Governor

Attest:

/s/ Thomas P. Scrivo

Chief Counsel to the Governor