

**PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 13, 2024**

**NEW ISSUE – BOOK-ENTRY ONLY**

**Fitch: A**  
**Moody's: A2**  
**S&P: A-**  
(See "RATINGS" herein)



**\$85,515,000\***

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY  
HIGHER EDUCATION FACILITIES TRUST FUND REFUNDING BONDS, SERIES 2024 A**

**Dated: Date of Delivery**

**Maturity Date: May 15, as set forth on the inside front cover**

This Official Statement has been prepared by the New Jersey Educational Facilities Authority (the "Authority") to provide information related to its \$85,515,000\* Higher Education Facilities Trust Fund Refunding Bonds, Series 2024 A (the "Series 2024 Bonds"). Simultaneously with the issuance of the Series 2024 Bonds, the Authority is issuing its Revenue Refunding Bonds, Higher Education Capital Improvement Fund Issue, Series 2024 A (the "CIF Bonds"). The CIF Bonds are not being offered by means of this Official Statement. Only the Series 2024 Bonds are being offered by the Authority pursuant to this Official Statement.

**Tax Matters:** In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming continuing compliance with the provisions of the Internal Revenue Code of 1986, as amended (the "Code") applicable to the Series 2024 Bonds, interest on the Series 2024 Bonds is excludable from gross income of the holders thereof for federal income tax purposes, and is not treated as a preference item in calculating the alternative minimum tax under the Code. However, interest on the Series 2024 Bonds may affect the federal alternative minimum tax imposed on certain corporations. In the opinion of Bond Counsel, under current law, interest on the Series 2024 Bonds and any gain on the sale thereof are not includable in gross income under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein.

**Redemption:** The Series 2024 Bonds are not subject to optional redemption prior to maturity.

**Security:** The Series 2024 Bonds are being issued by the Authority under the provisions of the New Jersey Educational Facilities Authority Law, N.J.S.A. 18A:72A-1 et seq., the Higher Education Facilities Trust Fund Act, N.J.S.A. 18A:72A-49 et seq., and the Higher Education Facilities Trust Fund General Bond Resolution adopted by the Authority on November 15, 1995, as amended and supplemented, including by the Fifth Supplemental Higher Education Facilities Trust Fund Resolution adopted by the Authority on October 22, 2024 (collectively, the "Resolution").

**THE SERIES 2024 BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE FROM AND SECURED BY A PLEDGE OF AND LIEN ON THE TRUST FUND (AS DEFINED IN THE RESOLUTION) AND OTHER FUNDS HELD UNDER THE RESOLUTION, EQUALLY AND RATABLY WITH ANY ADDITIONAL BONDS TO BE ISSUED AS PERMITTED BY THE RESOLUTION. THE PAYMENT OF THE PRINCIPAL OR REDEMPTION PRICE, IF ANY, OF AND INTEREST ON THE SERIES 2024 BONDS IS TO BE DERIVED FROM PAYMENTS MADE BY THE STATE OF NEW JERSEY (THE "STATE") TO THE AUTHORITY PURSUANT TO THE HIGHER EDUCATION FACILITIES TRUST FUND ACT AND AMOUNTS HELD UNDER THE RESOLUTION, THE OBLIGATION OF THE STATE TO MAKE SUCH PAYMENTS IS SUBJECT TO AND DEPENDENT UPON APPROPRIATIONS BEING MADE FROM TIME TO TIME BY THE NEW JERSEY STATE LEGISLATURE (THE "STATE LEGISLATURE"). THE STATE LEGISLATURE HAS NO LEGAL OBLIGATION TO MAKE ANY SUCH APPROPRIATIONS. See "SECURITY FOR THE SERIES 2024 BONDS" herein.**

**THE SERIES 2024 BONDS SHALL NOT BE DEEMED TO CONSTITUTE 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 NEITHER THE STATE NOR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE RESOLUTION) IS OBLIGATED TO PAY THE PRINCIPAL OR REDEMPTION PRICE, IF ANY, OF OR INTEREST ON THE SERIES 2024 BONDS. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE RESOLUTION) IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OR REDEMPTION PRICE, IF ANY, OF OR THE INTEREST ON THE SERIES 2024 BONDS. THE SERIES 2024 BONDS DO NOT NOW AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER.**

**Purposes:** The Series 2024 Bonds are being issued to: (i) provide funds for the refunding and defeasance of all or a portion of the Authority's Higher Education Facilities Trust Fund Bonds, Series 2014 (the "Series 2014 Bonds to be Refunded"); and (ii) pay costs of issuance of the Series 2024 Bonds. See "PLAN OF REFUNDING" 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 Series 2024 Bonds is payable on May 15 and November 15, commencing May 15, 2025.

**Denominations:** The Series 2024 Bonds will be issued in denominations of \$5,000 or any integral multiple in excess thereof.

**Trustee:** The Bank of New York Mellon, Jersey City, New Jersey.

**Issuer Contact:** New Jersey Educational Facilities Authority, 103 College Road East, Princeton, New Jersey 08540, (609) 987-0880.

**Book-Entry Only:** The Depository Trust Company ("DTC").

**This cover page contains certain information for quick reference only. Investors should read this entire Official Statement, including all appendices attached hereto, to obtain information essential to making an informed investment decision.**

The Series 2024 Bonds are offered when, as and if issued and subject to the receipt of the approving legal opinion of Chiesa Shahinian & Giantomasi PC, Roseland, 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 Underwriters by their counsel, Nash Perez, LLC, Camden, New Jersey. The Series 2024 Bonds in definitive form are expected to be available for delivery through DTC on or about \_\_\_\_\_, 2024.

**Siebert Williams Shank**

**Janney Montgomery Scott**

**Loop Capital Markets**

Official Statement dated: \_\_\_\_\_, 2024

\*Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to change, amendment and completion without notice. 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 these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or filing under the applicable securities laws of such jurisdiction.

NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY

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

\$85,515,000\*

HIGHER EDUCATION FACILITIES TRUST FUND REFUNDING BONDS, SERIES 2024 A

<u>Maturity Date (May 15)</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP**</u>
2025	\$17,490,000				
2026	15,780,000				
2027	16,575,000				
2028	17,400,000				
2029	18,270,000				

\* Preliminary, subject to change.

\*\* CUSIP is a registered trademark of American Bankers Association. CUSIP numbers are provided by CUSIP Global Services, which is managed by FactSet Research Systems, Inc., on behalf of the American Bankers Association. The CUSIP numbers listed above are being provided solely for the convenience of bondholders only at the time of issuance of the Series 2024 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 Series 2024 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 Series 2024 Bonds.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS SET FORTH ON THE FRONT COVER OF THIS OFFICIAL STATEMENT MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2024 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 SERIES 2024 BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

The purchase of the Series 2024 Bonds involves certain investment risks. Accordingly, each prospective purchaser of the Series 2024 Bonds should make an independent evaluation of the entirety of the information presented in the Official Statement, including, its appendices, to obtain information essential to the nature of an informed investment decision in the Series 2024 Bonds.

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2024 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from 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 sale made hereunder shall, under any circumstances, create any implication that there has been no change in such information since the date hereof.

Upon issuance, the Series 2024 Bonds will not be registered under the Securities Act of 1933, as amended, or listed on any stock or other securities exchange and the Bond Resolution will not have been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in such acts. The registration or qualification of the Series 2024 Bonds in accordance with applicable provisions of the securities laws of the states in which the Series 2024 Bonds have been registered or qualified, if any, and the exemption from registration or qualification in other states cannot be regarded as a recommendation of the Series 2024 Bonds. Neither these states nor any of their agencies have passed upon the merits of the Series 2024 Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity has passed upon the accuracy or adequacy of this Official Statement, or, except for the Authority and the Treasurer of the State of New Jersey, has approved the Series 2024 Bonds for sale.

References in this Official Statement to statutes, laws, rules, regulations, resolutions, agreements, reports and documents do not purport to be comprehensive or definitive, and all such references are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein. This Official Statement is distributed in connection with the sale of the Series 2024 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or holders of the Series 2024 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.

This Official Statement contains a general description of the Series 2024 Bonds, the Authority, the State, the Authority’s Higher Education Facilities Trust Fund Program and sets forth summaries of certain provisions of the Bond Resolution. The descriptions and summaries herein do not purport to be complete. Persons interested in purchasing the Series 2024 Bonds should carefully review this Official Statement (including the Appendices attached hereto) as well as copies of such documents in their entirety, which are held by the Trustee at its corporate trust office.

The information in this Official Statement concerning The Depository Trust Company, New York, New York (“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.

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**OFFICIAL STATEMENT**

relating to

**\$85,515,000\***

**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY  
HIGHER EDUCATION FACILITIES TRUST FUND REFUNDING BONDS, SERIES 2024 A**

**INTRODUCTORY STATEMENT**

**General**

The purpose of this Official Statement (which includes the cover page, the inside cover page and the Appendices hereto) is to furnish information concerning the New Jersey Educational Facilities Authority (the “Authority”) and its \$85,515,000\* aggregate principal amount of Higher Education Facilities Trust Fund Refunding Bonds, Series 2024 A (the “Series 2024 Bonds”). Simultaneously with the issuance of the Series 2024 Bonds, the Authority is issuing its Revenue Refunding Bonds, Higher Education Capital Improvement Fund Issue, Series 2024 A (the “CIF Bonds”). The CIF Bonds are not being offered by means of this Official Statement. Only the Series 2024 Bonds are being offered by the Authority pursuant to this Official Statement.

The Series 2024 Bonds are being issued under and pursuant to the Higher Education Facilities Trust Fund Act, being Chapter 375 of the Laws of the State of New Jersey (the “State”) of 1993, as amended and supplemented by Chapter 146 of the Laws of the State of 1995, Chapter 308 of the Laws of the State of 2009, Chapter 42 of the Laws of the State of 2012 and Chapter 98 of the Laws of the State of 2017 (collectively, the “Trust Fund Act”), which amended and supplemented the New Jersey Educational Facilities Authority Law, being Chapter 72A of Title 18A of the Public Laws of 1967, as amended and supplemented (collectively, the “Act”), and under and pursuant to the Authority’s Higher Education Facilities Trust Fund General Bond Resolution adopted on November 15, 1995, as amended and supplemented to date (the “Bond Resolution”), including as supplemented by the Authority’s Fifth Supplemental Higher Education Facilities Trust Fund Resolution adopted on October 22, 2024 (the “Fifth Supplemental Resolution”), authorizing the issuance of the Series 2024 Bonds, and a certificate executed by an Authorized Authority Representative on the date of sale of the Series 2024 Bonds (the “Series Certificate,” and, collectively with the Bond Resolution and the Fifth Supplemental Resolution, the “Resolution”).

The Authority has previously issued bonds under the Trust Fund Act and pursuant to the Resolution. The following principal amount of bonds is currently outstanding: \$87,110,000 of the Authority’s \$199,855,000 Higher Education Facilities Trust Fund Bonds, Series 2014 (the “Series 2014 Bonds”) and \$78,200,000 of the Authority’s \$78,200,000 Higher Education Facilities Trust Fund Bonds, Series 2024 (the “Series 2024 New Money Bonds”). The Series 2014 Bonds and the Series 2024 New Money Bonds shall be collectively referred to as the “Prior Bonds”, and the Prior Bonds, the Series 2024 Bonds and any additional Series of Bonds hereafter issued under the Bond Resolution shall be collectively referred to as the “Bonds.” The Bank of New York Mellon, Jersey City, New Jersey, is acting as trustee (the “Trustee”) under the Resolution. For definitions of certain capitalized words and

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\* Preliminary, subject to change.

terms used in this Official Statement and not otherwise defined herein, see “APPENDIX II – BOND RESOLUTION AND FIFTH SUPPLEMENTAL RESOLUTION” hereto.

The information contained in this Official Statement has been prepared under the direction of the Authority for use in connection with the sale and delivery of the Series 2024 Bonds.

### **Authority for Issuance**

The Series 2024 Bonds are being issued pursuant to the Trust Fund Act. The Trust Fund Act amended and supplemented the Act. The Act, among other things, empowers the Authority to issue its revenue bonds, notes and other obligations to obtain funds to finance and refinance eligible educational facilities as may be required or convenient for the purposes of public or private institutions of higher education located in the State. The Trust Fund Act, among other things, empowers the Authority to issue its obligations and to make grants to participating private and public institutions of higher education in the State (each, an “Institution” and collectively, the “Institutions of Higher Education”) for the purpose of financing the construction, reconstruction, development, extension and improvement of instructional, laboratory, communication and research facilities (collectively, the “Facilities”), and to issue refunding bonds to refinance such obligations, provided that the total outstanding principal amount of the bonds issued for this purpose, excluding refunding bonds, shall not exceed \$220,000,000 and the term of any bond shall not exceed fifteen (15) years, and to issue refunding bonds to refinance such obligations.

### **Purposes and Use of Proceeds**

The Series 2024 Bonds are being issued for the purposes of the Bond Resolution and the Fifth Supplemental Resolution, specifically to: (i) provide funds for the refunding and defeasance of all or a portion of the Series 2014 Bonds (the “Series 2014 Bonds to be Refunded”); and (ii) pay costs of issuance of the Series 2024 Bonds. See “PLAN OF REFUNDING” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.

### **Security**

The Series 2024 Bonds are payable solely from funds received by the Authority from the Revenues and other moneys, securities and funds which are held or set aside pursuant to the Resolution (except the Rebate Fund). “Revenues” is defined in the Resolution as moneys appropriated by the State and paid to the Authority for deposit in the Higher Education Facilities Trust Fund (the “Trust Fund”) and all interest and investment earnings on moneys in the Trust Fund established under the Resolution, except amounts required to be deposited in the Rebate Fund. **ALL AMOUNTS PAID TO THE AUTHORITY TO PAY THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE SERIES 2024 BONDS ARE SUBJECT TO AND DEPENDENT UPON APPROPRIATIONS BEING MADE FROM TIME TO TIME BY THE NEW JERSEY STATE LEGISLATURE (THE “STATE LEGISLATURE”). THE STATE LEGISLATURE HAS NO LEGAL OBLIGATION TO MAKE ANY SUCH APPROPRIATIONS.**

The Authority shall request in each State fiscal year, in time to be included in the Governor’s budget message to the State Legislature for the ensuing State fiscal year, an appropriation of all amounts necessary for payment of Debt Service on the Bonds, including the Series 2024 Bonds. If such amount is not included in the enacted General Appropriations Act of the State for such ensuing State fiscal year, the Authority shall request the Governor to ask the State Legislature for a supplemental appropriation of such amount. The Authority shall give the Trustee prompt written notice of: (i) any failure of the State to include an appropriation for such Debt Service in any General Appropriations Act and (ii) the enactment of any such supplemental appropriation.



The Series 2024 Bonds are special and limited obligations of the Authority payable from and secured by a pledge of and lien on the Trust Fund and other funds held under the Resolution, equally and ratably with any Additional Bonds to be issued as permitted by the Bond Resolution. The payment of the principal or redemption price, if any, of and interest on the Series 2024 Bonds is to be derived from payments made by the State to the Authority pursuant to the Trust Fund Act and amounts held under the Resolution.

All references herein to the Trust Fund Act, the Act, the Bond Resolution, the Fifth Supplemental Resolution and the Series Certificate are qualified in their entirety by reference to the complete text of the Trust Fund Act, the Act, the Bond Resolution, the Fifth Supplemental Resolution and the Series Certificate, copies of which are available from the Authority, and all references to the Series 2024 Bonds are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto contained in the Bond Resolution, the Fifth Supplemental Resolution and the Series Certificate.

There are no remedies available to the Bondholders in the event that the State Legislature does not appropriate sufficient funds to make payments in respect of Debt Service on the Series 2024 Bonds, nor is there any other significant source of monies from which payment on the Series 2024 Bonds could be made. While the State Legislature has the legal authority to make appropriations, it has no obligation to do so. Neither the failure of the State Legislature to make such appropriations, nor non-payment of the Series 2024 Bonds as a result of such failure to appropriate, is an Event of Default under the Resolution or the Series 2024 Bonds and will not give rise to any rights or remedies against the State or the Authority. See “SECURITY FOR THE SERIES 2024 BONDS – Event of Non-Appropriation” herein.

#### **No Pledge of Facilities**

The Facilities funded with grants from the proceeds of any Prior Bonds will not secure, be pledged to or be available to pay the Series 2024 Bonds. See “SECURITY FOR THE SERIES 2024 BONDS” herein.

#### **No Pledge of State’s Credit**

THE SERIES 2024 BONDS SHALL NOT BE DEEMED TO CONSTITUTE 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 NEITHER THE STATE NOR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE RESOLUTION) IS OBLIGATED TO PAY THE PRINCIPAL OR REDEMPTION PRICE, IF ANY, OF OR INTEREST ON THE SERIES 2024 BONDS. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE RESOLUTION) IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OR REDEMPTION PRICE, IF ANY, OF OR THE INTEREST ON THE SERIES 2024 BONDS. THE SERIES 2024 BONDS DO NOT NOW AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER.

#### **Additional Series of Bonds**

The Authority may, with the prior written consent of the Treasurer of the State (the “State Treasurer”), issue additional Series of Bonds under the Trust Fund Act in a principal amount up to the maximum principal amount authorized under the Trust Fund Act, subject to the Statutory Debt Issuance Limit (as defined herein) for the purpose of financing additional grants. See “HIGHER EDUCATION

FACILITIES TRUST FUND PROGRAM” herein. Any additional Series of Bonds will be secured equally and ratably, without preference or priority, with the Prior Bonds and the Series 2024 Bonds. See “SECURITY FOR THE SERIES 2024 BONDS” herein.

### **Refunding Bonds**

One or more series of Refunding Bonds may be issued at any time, with the prior written consent of the State Treasurer, to refund outstanding Bonds of one or more Series or one or more maturities thereof. Refunding Bonds issued to refund prior obligations of the Authority shall be excluded from the calculation against the Statutory Debt Issuance Limit described under “SECURITY FOR THE SERIES 2024 BONDS – Statutory Debt Issuance Limit” herein, provided that the refunding shall be determined by the Authority to result in a debt service savings.

### **THE AUTHORITY**

The Authority was duly created under the Act (N.J.S.A. 18A:72A-1 et seq.) as a public body corporate and politic constituting an instrumentality exercising public and essential governmental functions of the State. The Act empowers the Authority, among other things, to make loans to public and private colleges and universities for the construction, improvement, acquisition, and refinancing of eligible projects in accordance with a lease agreement, a loan agreement or a mortgage approved by the Authority. The Authority is also authorized to provide financing for capital improvements at qualified public libraries.

The Act provides that the Authority shall not be required to pay taxes or assessments upon any of the property acquired or used by it or under its jurisdiction, control, possession or supervision, or upon its activities in the operation and maintenance of the facilities acquired or constructed for any participating college or university or upon any moneys, revenues or other income received therefrom by the Authority.

### **HIGHER EDUCATION FACILITIES TRUST FUND PROGRAM**

The Trust Fund Act establishes the Higher Education Facilities Trust Fund (the “Trust Fund”) in the Authority and authorizes the Authority to issue bonds, notes or other obligations in a total outstanding amount of \$220,000,000, exclusive of certain Refunding Bonds, to finance making grants to Institutions of Higher Education in the State (the “Program”). In accordance with the Trust Fund Act, the State Treasurer, subject to available appropriations, shall pay to the Authority the amount necessary to pay the principal and redemption price, if any, of and interest on the bonds or notes issued under the Program, including the Series 2024 Bonds. See “SECURITY FOR THE SERIES 2024 BONDS” herein.

The Trust Fund is required to be used for Facilities within and among the State’s Institutions of Higher Education. Each Institution shall use the grants for Facilities.

The Trust Fund Act provides that the governing board of an Institution may determine, by resolution, to apply for a grant from the Trust Fund. Such application, describing the proposed Facilities to be financed, is to be filed with the Secretary of Higher Education (the “Secretary”), who has the power to approve or disapprove the grant. The Secretary must submit a copy of the written certification approving the grant to the State Legislature. If the State Legislature does not disapprove the grant within sixty (60) days by concurrent resolution, it is deemed approved.

## **PLAN OF REFUNDING**

The proceeds of the Series 2024 Bonds will be used to (i) refund and defease all or a portion of The Series 2014 Bonds to be Refunded; and (ii) pay costs of issuance of the Series 2024 Bonds. See “APPENDIX VI – THE SERIES 2014 BONDS TO BE REFUNDED” hereto. In order to effect the refunding and defeasance of the Series 2014 Bonds to Be Refunded, on the date of issuance and delivery of the Series 2024 Bonds, a portion of the proceeds of the Series 2024 Bonds, together with other available funds, will be deposited in an escrow fund (the “Escrow Fund”) to be held by The Bank of New York Mellon, as escrow agent (the “Escrow Agent”), and established pursuant to an Escrow Deposit Agreement (the “Escrow Deposit Agreement”) between the Authority and the Escrow Agent. The portion of the proceeds of the Series 2024 Bonds and other available funds on deposit in the Escrow Fund, together with investment earnings thereon, will be sufficient to pay when due the principal or redemption price of the Series 2014 Bonds to be Refunded. See “VERIFICATION OF MATHEMATICAL CALCULATIONS” herein. Upon deposit of such funds in the Escrow Fund, the Series 2014 Bonds to be Refunded will be deemed paid under the Resolution and no longer Outstanding thereunder.

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## ESTIMATED SOURCES AND USES OF FUNDS

The sources and uses of funds in connection with the issuance of the Series 2024 Bonds are expected to be as set forth below:

	<u>Totals*</u>
<u>SOURCES OF FUNDS</u>	
Par Amount of Series 2024 Bonds	\$
Net Original Issue Premium/Discount	
Total Sources of Funds	<u>\$</u>
 <u>USES OF FUNDS</u>	
Deposit to Escrow Fund	\$
Costs of Issuance**	
Underwriters' Discount	
Total Uses of Funds	<u>\$</u>

\* Totals may not add up due to rounding.

\*\*Includes fees and expenses of Bond Counsel, Municipal Advisor, Trustee, Escrow Agent, Rating Agencies and other issuance costs associated with the issuance and sale of the Series 2024 Bonds.

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## DESCRIPTION OF THE SERIES 2024 BONDS

### General

The Series 2024 Bonds will be dated the date of delivery thereof, will bear interest at the respective rates per annum and mature on the dates and in the principal amounts set forth on the inside front cover of this Official Statement. Interest on the Series 2024 Bonds will accrue from their date of delivery and such interest will be payable initially on May 15, 2025, and semiannually thereafter on May 15 and November 15 of each year to and including their respective dates of maturity and will be payable in lawful money of the United States of America. Interest will be payable by the Trustee to those registered owners of the Series 2024 Bonds whose names appear on the Series 2024 Bond register as of the first (1st) day (whether or not a business day) of the calendar month next preceding an interest payment date (the “Record Date”). Interest on the Series 2024 Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months.

The Depository Trust Company, New York, New York (“DTC”) will act as securities depository for the Series 2024 Bonds. So long as DTC or its nominee is the registered owner of the Series 2024 Bonds, payments of the principal of and interest on the Series 2024 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 Series 2024 Bonds. See “APPENDIX V – BOOK-ENTRY ONLY SYSTEM.”

The Series 2024 Bonds will be issued in fully registered book-entry only form, without certificates. One certificate shall be issued for the aggregate principal amount of Series 2024 Bonds for each interest rate within a stated maturity, and when issued, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as Securities Depository for the Series 2024 Bonds. The certificates will be on deposit with DTC. DTC will be responsible for maintaining a book-entry system for recording the interests of its participants and transfers of the interests among its participants. The participants will be responsible for maintaining records regarding the beneficial ownership interests in the Series 2024 Bonds on behalf of the individual purchasers. Individual purchases may be made in denominations of \$5,000, or any integral multiple thereof, through book entries made on the books and the records of DTC and its participants. Individual purchasers of the Series 2024 Bonds will not receive certificates representing their beneficial ownership interests in the Series 2024 Bonds, but each book-entry owner will receive a credit balance on the books of its nominee, and this credit balance will be confirmed by an initial transaction statement stating the details of the Series 2024 Bonds purchased. In the event the Series 2024 Bonds are no longer subject to the DTC Book-Entry Only System, the principal or Redemption Price of Series 2024 Bonds will be payable upon surrender of the respective Series 2024 Bonds at a designated corporate trust office of the Paying Agent. See “Book-Entry Only System” herein.

### Redemption

The Series 2024 Bonds are not subject to redemption prior to their stated maturities

### Negotiable Instruments

The Series 2024 Bonds are fully negotiable within the meaning of the Uniform Commercial Code of the State, subject only to provision for registration contained in the applicable Series 2024 Bonds.

## **Book-Entry Only System**

The information in “APPENDIX V – 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 V – 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 SERIES 2024 BONDS, (I) PAYMENTS OF PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE SERIES 2024 BONDS, (II) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTEREST IN SERIES 2024 BONDS OR (III) NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE HOLDER OF THE SERIES 2024 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 V TO THIS OFFICIAL STATEMENT. NEITHER THE AUTHORITY, THE TRUSTEE NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO ANY DIRECT PARTICIPANTS, ANY INDIRECT PARTICIPANTS, ANY PERSON CLAIMING A BENEFICIAL OWNERSHIP INTEREST IN THE SERIES 2024 BONDS UNDER OR THROUGH DTC OR ANY DIRECT PARTICIPANT OR ANY OTHER PERSON WHICH IS NOT SHOWN ON THE BOND REGISTER OF THE AUTHORITY KEPT BY THE TRUSTEE AS BEING A SERIES 2024 BONDHOLDER.

NEITHER THE AUTHORITY, THE TRUSTEE NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION, EITHER SINGULARLY OR JOINTLY, TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER, AS DEFINED HEREIN, WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 2024 BONDS UNDER THE RESOLUTION; (III) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2024 BONDS; (IV) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE SERIES 2024 BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF SERIES 2024 BONDS; OR (VI) ANY OTHER MATTER.

SO LONG AS CEDE & CO., AS NOMINEE OF DTC, IS THE REGISTERED OWNER OF ALL OF THE SERIES 2024 BONDS, REFERENCES HEREIN TO THE OWNERS, HOLDERS, OR REGISTERED OWNERS OF THE SERIES 2024 BONDS (OTHER THAN UNDER THE CAPTION “TAX MATTERS” HEREIN) SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2024 BONDS.

In the event that the Series 2024 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 Series

2024 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 Series 2024 Bonds.

## **SECURITY FOR THE SERIES 2024 BONDS**

### **General**

The Resolution provides, among other things, that: (i) such Resolution shall be deemed to be and shall constitute a contract between the Authority and the Holders, from time to time, of all Bonds; (ii) the security interest granted and the pledge and assignment made in the Resolution and the covenants and agreements therein set forth to be performed by or on behalf of the Authority shall be for the equal benefit, protection and security of the Holders of all Bonds payable on a parity with the Series 2024 Bonds which, regardless of their times of issue or maturity, shall be of equal rank without preference, priority or distinction over any of the Bonds over any other thereof, except as expressly provided in or permitted by the Resolution; (iii) the Authority pledges the Revenues and all moneys, securities and funds which are held or set aside or which are to be held or set aside pursuant to the terms of the Resolution except the Rebate Fund or which are held in any funds which are established and created under the Resolution, to secure the payment of the principal or redemption price, if any, of, and interest on the Bonds; (iv) the pledge made by the Resolution is valid and binding from and after the date of the first delivery by the Trustee of the first Bond which is authenticated and delivered under the terms of the Resolution, and the Revenues and other moneys, securities and funds which are so pledged and which are thereafter received by the Authority, and any other moneys pledged by the Authority, shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of whether such parties have notice thereof. For a further description of the Resolution, see “APPENDIX II – BOND RESOLUTION AND FIFTH SUPPLEMENTAL RESOLUTION” hereto.

The Authority may enter into a “Financing Facility” with respect to any Additional Bonds. The term “Financing Facility” includes 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, including Swap Agreements, approved by the Authority and each Rating Agency which has issued a rating on the Series of Bonds to which such Financing Facility relates, in connection with the issuance of such Bonds. The Resolution does not currently provide for either the application of amounts payable by, or the security and payment of amounts payable to, the provider of any such Financing Facility. However, a Supplemental Resolution may hereafter be adopted for such purposes in connection with the issuance of a Financing Facility in support of any Bonds, without notice to or consent by the Bondholders, provided that the security and payment shall be on either a parity or subordinate basis vis-à-vis Debt Service.

THE AUTHORITY IS OBLIGATED TO PAY THE PRINCIPAL OR REDEMPTION PRICE OF THE SERIES 2024 BONDS AND INTEREST THEREON ONLY FROM THE REVENUES AND OTHER FUNDS PLEDGED UNDER THE RESOLUTION. NEITHER THE STATE NOR ANY POLITICAL SUBDIVISION THEREOF (EXCEPT THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE RESOLUTION) IS OBLIGATED TO PAY THE PRINCIPAL OR REDEMPTION PRICE OF THE SERIES 2024 BONDS OR INTEREST THEREON. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE RESOLUTION) IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OR

REDEMPTION PRICE, IF ANY, OF OR THE INTEREST ON THE SERIES 2024 BONDS. THE SERIES 2024 BONDS DO NOT NOW AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER.

### **Pledge Securing the Series 2024 Bonds**

The Series 2024 Bonds are payable and secured on a parity with any Additional Bonds to be issued under the Resolution. All Bonds issued under the Resolution are special and limited obligations of the Authority payable solely from the Revenues pledged to their payment. Pursuant to the Resolution, all of such Revenues are pledged and assigned as security for the payment of the principal or redemption price, if any, of and interest on the Bonds issued under the Resolution, including the Series 2024 Bonds. All such Revenues shall immediately become subject to the lien of said pledge without any physical delivery thereof or further act, and such lien shall be valid and binding against all persons having claims of any kind in tort, contract or otherwise against the Authority. **THE PAYMENT OF ALL SUCH FUNDS TO THE AUTHORITY BY THE STATE IS SUBJECT TO AND DEPENDENT UPON APPROPRIATIONS BEING MADE FROM TIME TO TIME BY THE STATE LEGISLATURE. THE STATE LEGISLATURE HAS NO LEGAL OBLIGATION TO MAKE ANY SUCH APPROPRIATIONS. IF THE STATE FAILS TO APPROPRIATE THE REQUIRED AMOUNTS, THERE IS NO OTHER SOURCE OF PAYMENT FOR THE SERIES 2024 BONDS EXCEPT PROCEEDS OF THE BONDS AND INVESTMENT EARNINGS AND INCOME THAT MAY BE ON DEPOSIT IN THE TRUST FUND FROM TIME TO TIME.** See “APPENDIX II – BOND RESOLUTION AND FIFTH SUPPLEMENTAL RESOLUTION” hereto.

The Authority shall request in each State fiscal year, in time to be included in the Governor’s budget message to the State Legislature for the ensuing State fiscal year, an appropriation of all amounts necessary for payment of Debt Service, as defined in the Resolution, on the Bonds, including the Series 2024 Bonds. If such amount is not included in the enacted General Appropriations Act of the State for such ensuing State fiscal year, the Authority shall request the Governor to ask the State Legislature for a supplemental appropriation of such amount. The Authority shall give the Trustee prompt written notice of: (i) any failure by the State to include an appropriation for such Debt Service in any General Appropriations Act, and (ii) the enactment of any such supplemental appropriation. See “APPENDIX II – BOND RESOLUTION AND FIFTH SUPPLEMENTAL RESOLUTION” hereto.

Pursuant to the Resolution, the pledge securing the payment of the principal or redemption price, if any, of and interest on the Series 2024 Bonds consists of the Revenues (as hereinafter defined), and all moneys, securities and funds which are held or set aside or which are to be held or set aside pursuant to the terms of the Resolution or which are held in any funds (except the Rebate Fund) established and created under the Resolution.

Under the Resolution, “Revenues” means moneys appropriated by the State and paid to the Authority for deposit in the Trust Fund and all interest and investment earnings on moneys in the Trust Fund, except amounts required to be deposited in the Rebate Fund. See “APPENDIX II – BOND RESOLUTION AND FIFTH SUPPLEMENTAL RESOLUTION” hereto.

### **State’s General Taxing Power Not Pledged**

Pursuant to the Act, the Trust Fund Act and the Resolution, the Series 2024 Bonds are special and limited obligations of the Authority payable from and secured by a pledge of and lien on the Trust Fund and any other funds held under the Resolution, equally and ratably with any Additional Bonds to be issued as permitted by the Resolution. **THE SERIES 2024 BONDS SHALL NOT BE DEEMED TO CONSTITUTE 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 NEITHER THE STATE NOR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE RESOLUTION) IS OBLIGATED TO PAY THE PRINCIPAL OR REDEMPTION PRICE, IF ANY, OF OR INTEREST ON THE SERIES 2024 BONDS. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE RESOLUTION) IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OR REDEMPTION PRICE, IF ANY, OF OR THE INTEREST ON THE SERIES 2024 BONDS. THE SERIES 2024 BONDS DO NOT NOW AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER.

### **Statutory Debt Issuance Limit**

The Trust Fund Act currently provides that the aggregate outstanding principal amount of bonds and notes outstanding at any one time of the Authority under the Program may not exceed \$220,000,000 (the “Statutory Debt Issuance Limit”). All bonds and notes of the Authority issued for refunding purposes shall be excluded from the calculation against the Statutory Debt Issuance Limit, provided that the refunding shall be determined by the Authority to result in a debt service savings.

On September 24, 2014, the Authority issued its \$199,855,000 Higher Education Facilities Trust Fund Bonds, Series 2014 (the “Series 2014 Bonds”), of which \$87,110,000 in aggregate principal amount remains outstanding. The final maturity of the Series 2014 Bonds is June 15, 2029. The Series 2014 Bonds were not issued for refunding purposes. On January 25, 2024, the Authority issued its \$78,200,000 Higher Education Facilities Trust Fund Bonds, Series 2024 (the “Series 2024 New Money Bonds”), of which \$78,200,000 in aggregate principal amount remains outstanding. The final maturity of the Series 2024 New Money Bonds is June 15, 2038. The Series 2024 New Money Bonds were not issued for refunding purposes. The Series 2024 Bonds will refund the Series 2014 Bonds. The Series 2024 Bonds, when issued, together with the Prior Bonds, will not exceed the Statutory Debt Issuance Limit.

### **Event of Non-Appropriation**

An “Event of Non-Appropriation” with respect to the Bonds shall be deemed to have occurred if the State Legislature shall fail to appropriate funds for any Fiscal Year in an amount sufficient to pay when due the Authority’s Debt Service and Financing Facility Payment Obligations coming due in such Fiscal Year.

In addition, a failure by the Authority to pay when due any principal or redemption price, if any, of or interest on any Bonds required to be made under the Resolution or the applicable Series of Bonds, or a failure by the Authority to observe and perform any covenant, condition or agreement on its part to be observed or performed under the Resolution or the Bonds resulting from the occurrence of an Event of Non-Appropriation, shall not constitute an Event of Default as defined under the Resolution.

Upon the occurrence of an Event of Non-Appropriation, the Trustee, on behalf of the Holders of the applicable Series of Bonds, has no remedies. The Trustee may not seek to accelerate the Bonds. The Authority has no obligation to pay any Debt Service with respect to which an Event of Non-Appropriation has occurred. However, the Authority would remain obligated to pay such Debt Service, and all future Debt Service to the extent State appropriations are subsequently made for such purposes.

From and after the occurrence of an Event of Non-Appropriation, and provided that there shall not have occurred and then be continuing any Event of Default under the Resolution, all applicable

moneys, securities and funds received by the Trustee shall be applied 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 and Interest -- to the payment of the interest and principal or Redemption Price then due on the Bonds, as follows:

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, 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;

Second: Principal -- To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due 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.

(iii) If any amounts remain after all payments under paragraphs (i) and (ii) have been made, the balance shall be paid to the State Treasurer.

### **Additional Bonds**

After authentication and delivery of the Series 2024 Bonds, one or more series of Additional Bonds may be issued by the Authority, with the prior written consent of the State Treasurer, at any time or from time to time for the purpose of financing additional grants. The Resolution provides that such Additional Bonds will be secured equally and ratably, without preference or priority, with the Series 2024 Bonds and any other bonds issued or to be issued under the Resolution. The issuance of Additional Bonds is subject to the Statutory Debt Issuance Limit. See "SECURITY FOR THE SERIES 2024 BONDS – Statutory Debt Issuance Limit" herein and "APPENDIX II – BOND RESOLUTION AND FIFTH SUPPLEMENTAL RESOLUTION" hereto.

### **Refunding Bonds**

One or more series of Refunding Bonds may be issued at any time, with the prior written consent of the State Treasurer, to refund outstanding bonds of one or more series or one or more maturities within a series of any bonds. 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 Bond Resolution required by the provisions of the supplemental resolution authorizing such Refunding Bonds. All bonds or notes issued for refunding purposes shall be excluded from the calculation of the Statutory Debt Issuance Limit, provided that the refunding shall be determined by the Authority to result in a debt service savings. See "SECURITY FOR THE SERIES 2024 BONDS –

Statutory Debt Issuance Limit” herein and “APPENDIX II – BOND RESOLUTION AND FIFTH SUPPLEMENTAL RESOLUTION” hereto.

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**ESTIMATED ANNUAL DEBT SERVICE REQUIREMENTS ON THE SERIES 2024 BONDS**

The following table sets forth the debt service requirements on the Series 2024 Bonds in each fiscal year.

<b>Fiscal Year Ending <u>June 30</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total Debt Service</u></b>
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**Total**

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## **LEGALITY FOR INVESTMENT**

Pursuant to the Act, all bonds, notes and other obligations, including the Series 2024 Bonds, issued by the Authority under the provisions of the Act are securities in which the State and all political subdivisions of the State, their officers, boards, commissions, departments or other agencies; all banks, bankers, savings banks, trust companies, 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; all administrators, executors, guardians, trustees and other fiduciaries: and all other persons whatsoever who now are or may hereafter be authorized to invest in bonds or other obligations of the State may properly and legally invest any funds including capital belonging to them or within their control. Bonds, notes or other securities or obligations of the Authority are also securities which may properly and legally be deposited with and received by any State or municipal officer or agency of the State for any purpose for which the deposit of bonds or other obligations of the State is authorized by law.

## **LITIGATION**

There is no litigation pending, or, to the knowledge of the Authority, threatened, seeking to restrain or enjoin the issuance, sale, execution or delivery of the Series 2024 Bonds, of the contemplated uses of the proceeds of the Series 2024 Bonds, or in any way or questioning or affecting the validity of the Series 2024 Bonds, 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 securities provided for the payment of Series 2024 Bonds, or the existence or powers of the Authority or the title of any officers or members of the Authority to their respective positions.

## **LEGAL MATTERS**

All legal matters incident to the authorization, execution, issuance and delivery of the Series 2024 Bonds are subject to the unqualified approving opinion of Chiesa Shahinian & Giantomasi PC, Roseland, New Jersey, Bond Counsel to the Authority (“Bond Counsel”). A copy of the approving opinion of Bond Counsel, in substantially the form provided in APPENDIX IV hereto, will be available at the time of the delivery of the Series 2024 Bonds. Certain legal matters will be passed upon for the Authority and the State by the Attorney General of the State and for the Underwriters by their counsel, Nash Perez, LLC, Camden, New Jersey.

## **TAX MATTERS**

### **Federal Income Taxation**

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming continuing compliance with the provisions of the Internal Revenue Code of 1986, as amended (the “Code”) applicable to the Series 2024 Bonds, interest on the Series 2024 Bonds is excludable from gross income of the holders thereof for federal income tax purposes and is not treated as a preference item in calculating the alternative minimum tax under the Code. However, interest on the Series 2024 Bonds may affect the federal alternative minimum tax imposed on certain corporations. Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the Series 2024 Bonds or the receipt of interest thereon.

The Code and the Treasury Regulations promulgated thereunder (the “Treasury Regulations”) impose certain continuing requirements that must be satisfied subsequent to the issuance and delivery of the Series 2024 Bonds so that interest on the Series 2024 Bonds will be and remain excludable from gross income for federal income tax purposes, including, but not limited to, restrictions relating to the use of the

proceeds of the Series 2024 Bonds and the investment of the proceeds of the Series 2024 Bonds and the requirement to rebate certain arbitrage earnings in excess of the yield on the Series 2024 Bonds to the Treasury of the United States. The Authority expects and intends to comply, and to the extent permitted by law, will comply, with such requirements, and the Institutions have covenanted to comply with such requirements. Noncompliance with such requirements may cause interest on the Series 2024 Bonds to become includable in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2024 Bonds, regardless of the date on which such noncompliance occurs or is discovered. In rendering its opinion as to the tax-exempt status of interest on the Series 2024 Bonds, Bond Counsel has relied on certain representations, certifications of fact, statements of reasonable expectations and covenants by the Authority and the Institutions made in connection with the issuance of the Series 2024 Bonds, and Bond Counsel has assumed continuing compliance by the Authority and the Institutions with certain ongoing requirements of the Code to the extent necessary to effect or maintain the exclusion of interest on the Series 2024 Bonds from gross income under Section 103 of the Code.

The sale date of the Series 2024 Bonds is within fourteen (14) days of the sale date of the Authority's Revenue Refunding Bonds, Higher Education Capital Improvement Fund Issue, Series 2024 A (the "CIF Bonds"). The CIF Bonds are being issued under and pursuant a separate bond resolution from the Series 2024 Bonds, are secured pursuant to a contract with the State Treasurer and are being sold pursuant to a separate official statement from the Series 2024 Bonds. The CIF Bonds are being issued for the purpose of providing funds to refund and defease all or a portion of the Authority's Revenue Bonds, Higher Education Capital Improvement Fund Issue, Series 2014 A (the "CIF 2014 Governmental Bonds") and all or a portion of the Authority's Revenue Bonds, Higher Education Capital Improvement Fund Issue, Series 2014 B (the "CIF 2014 Qualified 501(c)(3) Bonds" and, together with the CIF 2014 Governmental Bonds, the "CIF 2014 Bonds to be Refunded"), and pay costs of issuance of the CIF Bonds.

Pursuant to Treasury Regulations Section 1.150-1(c)(1), in general, if two or more bond issues are sold at substantially the same time, pursuant to a common plan of finance, and are reasonably expected to be paid from the same source of funds for federal income tax purposes, then such bonds will be treated as part of the same issue for federal income tax purposes. The effect of being treated as one issue for federal income tax purposes is that the failure of one of the bond issues to comply with the requirements of the Code and Treasury Regulations applicable to such bond issue could cause interest on such bond issue to be includable in gross income of the holders of the bonds of such bond issue retroactive to the date of issuance of such bond issue, and could also cause interest on such other bond issue to be includable in gross income of the holders of the bonds of such other bond issue retroactive to the date of issuance of such other bond issue.

Pursuant to Treasury Regulation Section 1.150-1(c)(3), bonds that would otherwise be treated as a single issue of bonds may be treated as separate issues for certain purposes of the Code if each such separate issue would separately qualify as an issue of tax-exempt bonds. The CIF Bonds are comprised of that portion of the CIF Bonds that is refunding and defeasing the CIF 2014 Governmental Bonds (such portion of the CIF Bonds is referred to herein as the "2024 CIF Governmental Bonds") and that portion of the CIF Bonds that is refunding and defeasing the CIF 2014 Qualified 501(c)(3) Bonds (such portion of the CIF Bonds is referred to herein as the "2024 CIF Qualified 501(c)(3) Bonds"). Collectively, the HEFT Bonds and the 2024 CIF Governmental Bonds are referred to herein as the "2024 Governmental Bonds." Accordingly, the Authority is electing to treat the 2024 Governmental Bonds and the 2024 CIF Qualified 501(c)(3) Bonds as separate issues for certain purposes of the Code. However, under Treasury Regulation Section 1.150-1(c)(3), the 2024 Governmental Bonds and the 2024 CIF Qualified 501(c)(3) Bonds are not being treated as separate issues for certain purposes of the Code, including those provisions of the Code that relate to arbitrage and rebate. The continuing federal tax exemption of the Series 2024 Bonds will be

dependent upon, among other things, compliance by the Authority and each Institution with certain requirements of the Code.

[The Series 2024 Bonds maturing on \_\_\_\_\_ are herein referred to as the “Discount Bonds.” The difference between the initial public offering price of the Discount Bonds set forth on the inside cover page hereof and the stated redemption price at maturity of each such Discount Bond constitutes “original issue discount,” all or a portion of which will, on the disposition or payment of such Discount Bond, be treated as tax-exempt interest for federal income tax purposes. Original issue discount will accrue to a holder under a “constant interest method” utilizing periodic compounding of accrued interest. Prospective purchasers of Discount Bonds should consult their tax advisors regarding the tax treatment of original issue discount for federal, state and local law purposes.]

[The Series 2024 Bonds maturing on \_\_\_\_\_ are herein referred to as the “Premium Bonds.” 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. Prospective purchasers of Premium Bonds should consult their tax advisors regarding the treatment of premium for federal, state and local law purposes.]

### **Other Federal Tax Consequences Relating to the Series 2024 Bonds**

Prospective purchasers of the Series 2024 Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, property and casualty insurance companies, individual recipients of Social Security and Railroad Retirement benefits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or to carry tax-exempt obligations. Prospective purchasers of the Series 2024 Bonds who may be subject to such collateral consequences should consult their own tax advisors. Prospective purchasers of the Series 2024 Bonds should also consult their own tax advisors as to the applicability and the effect on federal income tax of the alternative minimum tax applicable to certain corporations, the branch profits tax, and the tax on S Corporations, as well as the applicability and the effect of any other federal income tax consequences. Prospective purchasers of the Series 2024 Bonds should also consult with their tax advisors with respect to the need to furnish certain taxpayer information to avoid backup withholding. Bond Counsel expresses no opinion as to any such matters.

### **New Jersey Gross Income Tax Act**

In the opinion of Bond Counsel, under current law, interest on the Series 2024 Bonds and any gain from the sale thereof are not includable as gross income under the New Jersey Gross Income Tax Act.

### **Future Events**

Legislation affecting municipal bonds is regularly under consideration by the United States Congress. Federal tax legislation, administrative action taken by federal tax authorities and court decisions at the federal level may adversely affect the exclusion from gross income of interest on the Series 2024 Bonds for federal income tax purposes, and State tax legislation, administrative action taken by State tax authorities and court decisions at the State level may adversely affect the exclusion of interest on and any gain realized from the sale of the Series 2024 Bonds under the New Jersey Gross Income Tax Act. In addition, any such federal or State legislation, administrative action or court decisions could adversely affect the market price or marketability of the Series 2024 Bonds. Further, no assurance can be given that any action of the Internal Revenue Service (the “IRS”), including, but not limited to, selection of the Series 2024 Bonds for examination, or the course or result of any IRS examination of the Series

2024 Bonds or of bonds which present similar tax issues, will not have an adverse effect on the federal tax-exempt status of the Series 2024 Bonds or affect the market price for or marketability of the Series 2024 Bonds.

Bond Counsel is rendering its opinion under existing law as of the issue date 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, or otherwise. Bond Counsel expresses no opinion on the effect of any action taken or not taken after the date of the opinion or in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Series 2024 Bonds.

ALL POTENTIAL PURCHASERS OF THE SERIES 2024 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 ACTION TAKEN BY TAX AUTHORITIES, OR COURT DECISIONS.

ALL POTENTIAL PURCHASERS OF THE SERIES 2024 BONDS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATIONS OF THE CODE.

Bond Counsel will deliver its opinion, substantially in the form attached hereto as APPENDIX IV, contemporaneously with the delivery of the Series 2024 Bonds.

#### **CONTINUING DISCLOSURE**

In accordance with the provisions of Rule 15c2-12, as amended, promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, the State Treasurer and the Authority will, concurrently with the issuance of the Series 2024 Bonds, enter into a Continuing Disclosure Agreement with the Trustee, acting as dissemination agent, substantially in the form set forth in “APPENDIX III – FORM OF THE CONTINUING DISCLOSURE AGREEMENT.”

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.

For the Fiscal Year ended June 30, 2020, in connection with the then outstanding New Jersey Economic Development Authority (the “NJEDA”), Cigarette Tax Revenue Refunding Bonds, Series 2012 (the “NJEDA Cigarette Tax Bonds”), the Treasurer’s Annual Report for the NJEDA Cigarette Tax Bonds for Fiscal Year 2020 due on April 1, 2021, was posted to EMMA on April 5, 2021, and a failure to file notice was not filed on EMMA. In addition, the Total Cigarette Tax revenues received by the State for the third and fourth calendar quarters of 2021 were not submitted to EMMA and a failure to file notice was not filed on EMMA. On February 4, 2022, the trustee for the NJEDA Cigarette Tax Bonds filed a notice on EMMA of the defeasance of all outstanding NJEDA Cigarette Tax Bonds by the NJEDA.



For Fiscal Year ended June 30, 2022, the Treasurer's Annual Report was due to the MSRB no later than March 15, 2023 in connection with the State's General Obligation Bonds, Series 2013. On March 14, 2023, the State filed a notice that the ACFR for the Fiscal Year ended June 30, 2022 would not be filed by March 15, 2023. The ACFR was filed on April 10, 2023. The General Obligation Bonds, Series 2013 were defeased on November 20, 2023, and are no longer outstanding.

On March 2, 2022, Moody's upgraded the New Jersey Transportation Trust Fund 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.

On December 22, 2022, the State Treasurer provided notice on EMMA of a June 16, 2022 ratings downgrade by S&P with respect to the NJEDA's Motor Vehicle Surcharge Revenue Bonds to "BBB." The notice was posted on EMMA on December 23, 2022.

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 Bondholders and Beneficial Owners of the Authority's 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 rating changes may or may not have had an effect on the ratings of the Bonds.

## **UNDERWRITING**

Siebert Williams Shank & Co., LLC as representative of the underwriters of the Series 2024 Bonds shown on the cover page hereof (the "Underwriters"), has agreed, subject to certain conditions, to purchase the Series 2024 Bonds from the Authority on \_\_\_\_\_ 2024 at an aggregate purchase price of \$\_\_\_\_\_ (said aggregate purchase price reflecting the par amount of the Series 2024 Bonds, plus a net original issue premium of \$\_\_\_\_\_, and less an Underwriters' discount of \$\_\_\_\_\_.) The Underwriters intend to offer the Series 2024 Bonds to the public initially at the offering prices set forth on the inside cover page of this Official Statement, which may subsequently change without any requirement of prior notice. The Underwriters may offer and sell the Series 2024 Bonds to certain dealers (including dealers depositing the Series 2024 Bonds into investment trusts) at prices or yields lower than the offering prices or yields set forth on the inside cover page hereof.

## **MUNICIPAL ADVISOR**

Acacia Financial Group, Inc., of Mount Laurel, New Jersey, served as municipal advisor to the State with respect to the sale of the Series 2024 Bonds. Acacia Financial Group, Inc. is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing or trading of municipal securities or any other negotiable instruments.

## **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 Series 2024 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 the 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 downward revision or withdrawal of such rating may have an adverse effect on the market price of the Series 2024 Bonds.

## **VERIFICATION OF MATHEMATICAL CALCULATIONS**

American Municipal Tax-Exempt Compliance Corp. (“AMTEC”) (the “Verification Agent”) will verify from the information provided to it the mathematical accuracy, as of the date, of delivery of the Series 2024 Bonds, of the computations contained in the provided schedules to determine that the anticipated receipts from the securities and cash deposits listed in such schedules, to be held in escrow pursuant to the Escrow Deposit Agreement, will be sufficient to pay when due the principal or redemption price of and interest on the Series 2014 Bonds to be Refunded. The Verification Agent will express no opinion on the assumptions provided to it.

## **MISCELLANEOUS**

Copies of the Resolution may be obtained upon request from the Authority, 103 College Road East, Princeton, New Jersey 08540.

The foregoing summaries and references to the provisions of the Act, the Trust Fund Act, the Resolution, the Series 2024 Bonds, and the Continuing Disclosure Agreement do not purport to be complete and are made subject to the detailed provisions thereof to which reference is hereby made. These documents may be inspected at the principal corporate trust office of the Trustee.

The attached appendices are integral parts of this Official Statement and must be read together with all of the foregoing statements.

This Official Statement is distributed in connection with the sale and issuance of the Series 2024 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 Trust Fund Act and this Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or owners of any Series 2024 Bonds.

**NEW JERSEY EDUCATIONAL FACILITIES  
AUTHORITY**

By: \_\_\_\_\_  
Sheryl A. Stitt, Executive Director

Dated: \_\_\_\_\_, 2024

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**APPENDIX I**

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

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DATED: OCTOBER 1, 2024

**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, 2023, including Management’s Discussion and Analysis (the “2023 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 2023 ACFR on the following website at [www.nj.gov/treasury/omb](http://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

### Recent Fiscal Years

In New Jersey and most other states, the pandemic and post-pandemic years saw substantial volatility in revenue collections. After an initial pandemic-induced revenue decline in Fiscal Year 2020, State revenues grew significantly in Fiscal Years 2021 and 2022, followed by a decline in overall revenue collections in Fiscal Year 2023. The State's most recent Fiscal Year 2024 revenues are now projected to be relatively similar to Fiscal Year 2023, up a modest 1.5 percent to \$52.9 billion. The State's substantial revenue growth from pre-pandemic levels has increased fund balances to historically high levels. As of June 30, 2024, the State's combined ending fund balance was an estimated \$8.553 billion.

### Fiscal Year 2025 Appropriations Act

The Fiscal Year 2025 Appropriations Act anticipates that revenues will grow to \$54.508 billion, an increase in total revenues for Fiscal Year 2025 of about 3.0 percent when compared to estimated revenues for Fiscal Year 2024. The State's revenue forecast accounts for various risk factors related to the economic uncertainties facing the State and national economy, but generally assumes the consensus forecast of moderate economic growth, which will therefore produce modest revenue growth. The Fiscal Year 2025 forecast includes the impact of the expiration of the 2.5 percent surtax of the Corporation Business Tax and the enactment of a Corporate Transit Fee, intended to sustain the commuter mass transit network run by New Jersey Transit. Overall, Fiscal Year 2025 revenues anticipate slow growth in personal income and consumer spending, moderating price inflation, and improvement in the real estate market.

The Fiscal Year 2025 Appropriations Act, along with enacted supplemental appropriations, appropriates, in aggregate, approximately \$56.686 billion. These appropriations are mostly supported by projected revenues for Fiscal Year 2025 of approximately \$54.508 billion, but will also be supported by a projected partial drawdown of the State's fund balance of approximately \$2.4 billion. The Fiscal Year 2025 Appropriations Act projects an ending fund balance for the State as of June 30, 2025, of approximately \$6.125 billion, which would represent a decline from the projected combined ending fund balance as of June 30, 2024, of approximately \$8.553 billion.

### State's Structural Balance

The Fiscal Year 2025 Appropriations Act relies on a drawdown of more than \$2 billion from its fund balance. This would represent the second consecutive year that the State has included a substantial drawdown of its fund balance, which results in a reduction in fund balance from \$10.5 billion to \$6.125 billion in two fiscal years. While the State continues to enjoy a robust fund balance even with these drawdowns, if the State does not experience an increase in revenues or decrease in spending, the State may need to address a difference between its revenues and expenditures in future fiscal years to avoid further reductions in its fund balance.

### Actual Revenues and Expenditures may Materially Differ from Assumptions

The Fiscal Year 2025 Appropriations Act depends on numerous assumptions that the State makes with respect to its assumptions and expenditures. Each Fiscal Year, the actual results of revenues and expenditures differs from the annual appropriations act and, in some Fiscal Years, they may differ materially. See "FINANCIAL RESULTS AND ESTIMATES" below for a description of the State's revenues, appropriations and other matters, including a description of assumptions the State makes concerning the revenues and expenditures contained in the Fiscal Year 2025 Appropriations Act.

## 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 2025, 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, 2023, and the notes referred to therein (the “2023 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 2023 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 2023 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 2025 began on July 1, 2024 and ends on June 30, 2025.

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 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 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, 2023 and 2022 are set forth below.

### GENERAL FUND<sup>(1)</sup> COMPARATIVE BALANCE SHEETS (In Millions) (Audited)

	As of June 30,	
	2023	2022 <sup>(2)</sup>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 224.9	\$ 174.1
Investments	25,652.9	23,943.7
Receivables, net of allowances for uncollectibles		
Federal government	940.6	862.9
Departmental accounts	3,641.7	2,793.0
Loans	143.0	133.6
Other	391.9	526.3
Due from other funds	1,461.4	1,351.5
Other	26.1	35.8
<b>Total Assets</b>	<b>\$ 32,482.5</b>	<b>\$ 29,820.9</b>
<b>LIABILITIES AND FUND BALANCES</b>		
Accounts payable and accruals	\$ 2,930.5	\$ 2,388.8
Unearned revenue	5,704.9	6,084.7
Due to other funds	5,443.6	9,213.4
Refunds payable	349.8	272.5
Other	171.9	276.2
<b>Total Liabilities</b>	14,600.7	18,235.6
<b>Deferred Inflows of Resources</b>	497.3	638.5
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>\$ 15,098.0</b>	<b>\$ 18,874.1</b>
<b>Fund Balances</b>		
Restricted	1,204.7	1,195.8
Committed	5,661.6	4,571.8
Unassigned	10,518.2	5,179.2
<b>Total Fund Balances</b>	17,384.5	10,946.8
<b>Total Liabilities and Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 32,482.5</b>	<b>\$ 29,820.9</b>

(footnotes appear on next page)

(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.

(2) In the preparation of the 2023 ACFR, it was discovered that departmental receivables were overstated by \$77.6 million. As a result, Fiscal Year 2022 balances were restated resulting in a corresponding decrease to Unassigned Fund Balance.

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

	Casino Control Fund <sup>(1)</sup>		Casino Revenue Fund <sup>(2)</sup>		Gubernatorial Elections Fund <sup>(3)</sup>		Property Tax Relief Fund <sup>(4)</sup>	
	2023	2022	2023	2022	2023	2022	2023	2022
<b>ASSETS</b>								
Receivables, net of allowances for uncollectibles								
Department accounts	\$2.5	\$10.2	\$53.4	\$44.9	–	–	\$ 986.0	\$ 879.9
Due from other funds	5.1	–	1.1	0.6	0.2	0.2	144.3	3,055.5
<b>Total Assets</b>	<u>\$7.6</u>	<u>\$10.2</u>	<u>\$54.5</u>	<u>\$45.5</u>	<u>\$0.2</u>	<u>\$0.2</u>	<u>\$1,130.3</u>	<u>\$3,935.4</u>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>Liabilities</b>								
Accounts payable and accruals	\$7.6	\$ 6.6	\$10.9	\$10.4	–	–	\$ 192.9	\$ 138.1
Due to other funds	–	3.6	33.6	22.4	–	0.2	60.6	172.0
Refunds payable	–	–	–	–	–	–	379.3	279.9
<b>Total Liabilities</b>	<u>\$7.6</u>	<u>\$10.2</u>	<u>\$44.5</u>	<u>\$32.8</u>	<u>–</u>	<u>\$0.2</u>	<u>\$ 632.8</u>	<u>\$ 590.0</u>
<b>Fund Balances</b>								
Restricted	–	–	–	–	–	–	497.5	3,345.4
Committed	–	–	10.0	12.7	0.2	–	–	–
<b>Total Fund Balances</b>	<u>–</u>	<u>–</u>	<u>10.0</u>	<u>12.7</u>	<u>0.2</u>	<u>–</u>	<u>497.5</u>	<u>3,345.4</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$7.6</u>	<u>\$10.2</u>	<u>\$54.5</u>	<u>\$45.5</u>	<u>\$0.2</u>	<u>\$0.2</u>	<u>\$1,130.3</u>	<u>\$3,935.4</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 New Jersey 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 New Jersey 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 2021 through 2025, 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 2021, 2022 and 2023 are actual and final. Amounts shown for Fiscal Year 2024 in the following tables and charts are based upon revised estimates for revenues and appropriations as of June 30, 2024. Amounts shown for Fiscal Year 2025 are estimates as contained in the Fiscal Year 2025 Appropriations Act, as amended by supplemental appropriations enacted shortly after the enactment of the Fiscal Year 2025 Appropriations Act. The actual ending undesignated fund balance for Fiscal Year 2025 may differ from the balance estimated in the Fiscal Year 2025 Appropriations Act if actual levels of expenditures or revenues differ from estimated levels.

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<sup>(1)</sup>**  
(In Millions)

	<u>2025</u> <u>Estimated</u>	<u>2024</u> <u>Estimated</u>	<u>2023</u> <u>Actual<sup>(2)</sup></u>	<u>2022</u> <u>Actual</u>	<u>2021</u> <u>Actual<sup>(3)</sup></u>
<b>July 1st Beginning Balances</b>					
General Fund	\$ 8,247.2	\$10,212.6	\$ 5,179.2	\$ 1,892.6	\$ 2,050.6
Surplus Revenue Fund	305.6	305.6	-	2,446.9	6.7
Property Tax Relief Fund	-	-	3,062.4	2,544.9	1.8
Gubernatorial Elections Fund	0.9	0.2	-	-	1.1
Casino Control Fund	-	-	-	-	-
Casino Revenue Fund	-	-	-	-	-
<b>Total Beginning Balances</b>	<u>8,553.7</u>	<u>10,518.4</u>	<u>8,241.6</u>	<u>6,884.4</u>	<u>2,060.2</u>
<b>Anticipated Revenue</b>					
General Fund	33,006.9	32,524.5	31,640.7	30,355.7	29,721.3
Property Tax Relief Fund	20,803.9	19,720.9	19,894.3	21,778.9	18,413.8
Gubernatorial Elections Fund	0.7	0.7	0.2	0.2	0.3
Casino Control Fund	77.4	73.6	64.0	60.2	54.0
Casino Revenue Fund	618.6	584.5	500.2	458.0	363.5
<b>Total Revenues</b>	<u>54,507.5</u>	<u>52,904.2</u>	<u>52,099.4</u>	<u>52,653.0</u>	<u>48,552.9</u>
<b>Total Resources</b>	<u>\$63,061.2</u>	<u>\$63,422.6</u>	<u>\$60,341.0</u>	<u>\$59,537.4</u>	<u>\$50,613.1</u>
<b>Other Adjustments</b>					
General Fund					
Balances lapsed <sup>(4)</sup>	-	1,039.8	1,781.3	1,299.7	1,532.2
From (To) Reserved Fund Balance	(250.0)	153.8	(21.9)	26.8	(119.8)
From (To) Surplus Revenue Fund	305.6	-	(305.6)	2,446.9	(2,440.2)
From (To) Property Tax Relief Fund	-	(918.9)	36.7	(27.8)	(77.3)
Budget vs GAAP Adjustment	-	-	(0.5)	-	-
From (To) Casino Revenue Fund	-	59.3	-	-	-
From (To) Gubernatorial Elections Fund	(27.3)	-	-	-	(9.6)
From (To) Casino Control Fund	-	-	-	-	-
Surplus Revenue Fund					
From (To) General Fund	(305.6)	-	305.6	(2,446.9)	2,440.2
Property Tax Relief Fund					
Balances lapsed <sup>(4)</sup>	-	37.1	312.6	227.5	108.3
From (To) General Fund	-	918.9	(36.7)	8.4	77.3
Gubernatorial Elections Fund					
From (To) General Fund	27.3	-	-	18.9	9.6
Balances lapsed <sup>(4)</sup>	-	-	-	1.9	-
Budget vs GAAP Adjustment	-	-	-	0.5	-
Casino Control Fund					
From (To) General Fund	-	-	-	-	-
Balances lapsed <sup>(4)</sup>	-	-	3.7	2.5	7.5
Budget vs GAAP Adjustment	-	-	0.4	(0.3)	(0.6)
Casino Revenue Fund					
From (To) General Fund	-	(59.3)	-	-	-
Balances lapsed <sup>(4)</sup>	-	1.4	1.0	6.2	3.4
Budget vs GAAP Adjustment	-	-	-	-	-
<b>Total Other Adjustments</b>	<u>(250.0)</u>	<u>1,232.1</u>	<u>2,076.6</u>	<u>1,564.3</u>	<u>1,531.0</u>
<b>Total Available</b>	<u>\$62,811.2</u>	<u>\$64,654.7</u>	<u>\$62,417.6</u>	<u>\$61,101.7</u>	<u>\$52,144.1</u>
<b>Appropriations</b>					
General Fund	35,301.8	34,823.9	28,097.3	30,737.1	28,764.6
Property Tax Relief Fund	20,659.1	20,676.9	23,232.6	21,497.3	16,056.3
Gubernatorial Elections Fund	28.9	-	-	21.5	11.0
Casino Control Fund	77.4	73.6	68.1	62.4	60.9
Casino Revenue Fund	618.6	526.6	501.2	464.2	366.9
<b>Total Appropriations<sup>(5)</sup></b>	<u>\$56,685.8</u>	<u>\$56,101.0</u>	<u>\$51,899.2</u>	<u>\$52,782.5</u>	<u>\$45,259.7</u>
<b>June 30th Ending Balances</b>					
General Fund	5,980.6	8,247.2	10,212.6	5,256.8	1,892.6
Surplus Revenue Fund	-	305.6	305.6	-	2,446.9
Property Tax Relief Fund	144.8	-	-	3,062.4	2,544.9
Gubernatorial Elections Fund	-	0.9	0.2	-	-
Casino Control Fund	-	-	-	-	-
Casino Revenue Fund	-	-	-	-	-
<b>Total Ending Balances<sup>(6)(7)</sup></b>	<u>\$ 6,125.4</u>	<u>\$8,553.7</u>	<u>\$10,518.4</u>	<u>\$ 8,319.2</u>	<u>\$ 6,884.4</u>

(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 2023 was restated downward by \$77.6 million due to a reduction of receivables previously overstated.
  - (3) 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.
  - (4) 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.
  - (5) Fiscal Year 2022 and Fiscal Year 2023 appropriations reflect a \$5.2 billion deposit and a \$400 million deposit to the Debt Defeasance and Prevention Fund, respectively. The reduction in the deposit is the reason for the reduction in the level of appropriations for Fiscal Year 2023.
  - (6) The ending undesignated fund balance for Fiscal Years 2024 and 2025 may be revised as a result of changes in expenditures and/or anticipated revenues.
  - (7) 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 United States, with an average density of 1,263 persons per square mile as of 2023. 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 U.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 116.2 million visitors in 2019. The number of visitors dropped to 84.6 million in 2020 as travel and tourism were disrupted by pandemic-related restrictions. The number of visitors rebounded to 96.6 million in 2021, 114.6 million in 2022, and 120.5 million in 2023, surpassing pre-pandemic levels. In March 2024, Tourism Economics, a private forecasting company, projected that the number of visitors to New Jersey will grow to 124.2 million in 2024, 126.7 million in 2025, and 130.4 million in 2026.

There are approximately 9.3 million people residing in New Jersey in 2023, according to the latest population estimate from the U.S. Census Bureau. New Jersey’s population has grown an average of 0.42 percent per year from 2010 to 2023. This is above the average annual growth rate of 0.07 percent for New York and 0.15 percent for Pennsylvania, but below the national growth rate of 0.61 percent. Approximately 21.6 percent of New Jersey’s population is under the age of 18, which is slightly lower than the national average of 21.7 percent. In addition, 17.7 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 2018–2022, 42.3 percent of New Jersey residents 25 years of age or older have a bachelor’s degree or higher. This is the third highest rate in the Nation and above the national average of 34.3 percent. New Jersey is also a diverse state. At 23.2 percent, New Jersey has the second highest share of foreign-born residents, behind only California, and above the national average of 13.7 percent. New Jersey has the fourth highest percentage of residents who speak a language other than English at home at 32.2 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 2010 to 2022, the total number of taxpayers increased by 1.0 percent per year on average. During the same period, the number of taxpayers whose total income was between \$500,000 and \$1 million increased by 7.9 percent per year on average, and the number of taxpayers whose total income was greater than \$1 million increased by 7.2 percent per year on average.

For more information, see the 2023 ACFR-Statistical Section.

## **New Jersey Current Economic Outlook**

In 2023, New Jersey's economy experienced stable growth. The State's Gross Domestic Product ("GDP") – a broad measure of economic output – showed moderate growth overall and employment levels continued to rise, surpassing pre-pandemic levels in most industries. Price inflation continued to decline over the course of the year. Higher interest rates, intended to tame inflation and slow economic activity, have plateaued since the summer of 2023, but continue to restrict economic activity in some sectors, most notably the housing market. As the second half of 2024 begins, the near-term economic outlook for the State and the United States is for continued moderate growth, with the expectation that the Federal Open Market Committee ("FOMC") will start the process of lowering interest rates to encourage spending and investment.

In 2023, the State's economic growth was slower than the U.S. as a whole. New Jersey's real GDP growth in 2023 (1.5 percent) was outpaced by Pennsylvania (2.2 percent), but was faster than New York (0.7 percent), and ranked 28th out of the fifty states. New Jersey's real total GDP (\$656 billion) ranked 10th out of the fifty states in 2023, above North Carolina but below Georgia. In the fourth quarter, real GDP grew at a seasonally adjusted annual rate of 4.0 percent, quicker than New York (3.1 percent), but slower than Pennsylvania (4.1 percent). Real GDP growth continued to slow into 2024 as New Jersey's GDP rose 1.0 percent in the first quarter, slower than New York (2.5 percent), Pennsylvania (1.4 percent), and the U.S. as a whole (1.4 percent). The State's unemployment rate increased 0.2 percentage points over the course of the year, rising to 4.7 percent in July 2024. This was 0.4 percentage points higher than the national rate (4.3 percent). It was also higher than the unemployment rate of New York (4.3 percent), Pennsylvania (3.4 percent), and Connecticut (3.6 percent), and ranked fifth highest in the United States.

Despite a higher unemployment rate, New Jersey's labor market proved resilient in 2023. Following two consecutive years of record jobs growth, another 89,600 jobs were added in 2023. Employment rose in ten out of twelve months in 2023, with positive job growth in each of the final five months of the year. This represented a sustained recovery from 2020, when employment fell by 302,100 net jobs, including an unprecedented initial decline of 726,300 jobs at the start of the pandemic in March and April 2020. Payroll employment grew by an average of 8,900 jobs per month over the first half of 2023 and grew by an average of 6,100 jobs per month over the second half of the year. By the end of 2023, New Jersey had 148,600 more nonfarm jobs than prior to the COVID-19 pandemic, rising 3.5 percent from February 2020 to December 2023. This was higher than New York's (-0.7 percent), Pennsylvania's (0.5 percent), and Connecticut's (-0.2 percent) recent employment levels compared to pre-pandemic levels.

New Jersey's economy added 8,700 jobs in the first seven months of 2024. Payroll employment declined in four of the seven months and grew by an average of 1,200 jobs over the first seven months of 2024. The labor force participation rate of 64.7 percent in July 2024 was 0.1 percentage points lower than December 2023. New Jersey's labor force participation rate was higher than New York's (61.3 percent), Pennsylvania's (62.9 percent), and Connecticut's (64.4 percent).

Job growth in 2023 was most concentrated in three industries as other sectors experienced relatively softer growth or small declines in employment. The three sectors that added more than 10,000 jobs over the course of the year were educational & health services (+37,800 jobs), leisure & hospitality (+20,000 jobs), and trade/transportation & utilities (+10,400 jobs). Annual job gains were also seen in government (+7,800 jobs), other services (+6,800 jobs), and financial activities (+4,000 jobs). Goods-producing sectors such as construction and manufacturing also added 3,400 jobs and 1,700 jobs, respectively. Professional & business services lost 100 jobs over the course of the year, while the information sector lost 2,200 jobs. Still, employment in these sectors remained well above pre-pandemic levels at the end of the year. The only sector to not reach pre-pandemic employment levels as of December 2023 was government (-11,200 jobs). Job growth during the first seven months of 2024 was concentrated in education & health services (+19,500 jobs), government (+8,800 jobs) and trade/transportation & utilities (+6,000 jobs). Leisure and hospitality lost 8,900 jobs, financial activities lost 4,100, manufacturing lost 3,300 jobs and professional and business services lost 3,200 jobs. New Jersey wages and salaries rose 5.1 percent in 2023, and personal income in the State rose 4.9 percent. New Jersey's wage and salary growth in 2023 was outpaced by Pennsylvania (5.5 percent), New York (5.8 percent) and the United States (6.3 percent). Overall, New Jersey's wage and salary growth ranked third lowest of the fifty states. Personal income growth overall ranked 27<sup>th</sup> amongst the fifty states, still behind regional

peer and national rates. In the first quarter of 2024, wages and salaries rose 5.0 percent in New Jersey, which was lower than New York (6.3 percent) and Pennsylvania (5.4 percent). Personal income rose 5.7 percent, which was similarly lower than New York (7.0 percent) and Pennsylvania (6.9 percent).

U.S. personal saving as a percentage of disposable personal income has fluctuated sharply in recent years. From pre-pandemic level savings in the mid-seven percent range, savings rose to a high of 24.5 percent in the second quarter of 2020 spurred by federal economic impact payments and limited spending options. The savings rate subsequently hovered around 3.0 percent in 2022 as households adjusted to high price inflation and increased to an average of 4.6 percent in 2023. For the first quarter of 2024, the U.S. personal savings rate was 3.8 percent. Price inflation continued its decline from the highs of 2022, as the national consumer price index (“CPI”) rose 2.9 percent year-over-year in July 2024, representing a decline of 0.3 percentage points from July 2023’s level of 3.2 percent. Core Consumer Price Index (“Core CPI”), which excludes food and energy items, rose 3.2 percent year-over-year. This represents a sustained slowing of inflation from its 9.1 percent peak in June 2022. Inflation in the metropolitan area containing much of northern and central New Jersey has generally been more subdued than national inflation, as regional year-over-year CPI grew 4.1 percent and regional Core CPI was up 4.3 percent in July 2024.

The housing market continued to slow from 2023 into 2024 amidst elevated mortgage interest rates and elevated home prices. The average U.S. 30-year fixed rate mortgage in June 2024 hovered over 6.9 percent, more than double its 3.0 percent level in June 2021. The median sales price for a single-family home in New Jersey eclipsed \$586,000 in June 2024, rising 10.6 percent from June 2023. According to New Jersey Realtors data, existing-home sales started to weaken near the end of 2021 and total closed sales fell 17.8 percent in 2022, matching levels last seen in 2015. Sales continued to decline during the first half of 2024, matching levels not seen since 2012-2013 as both the inventory of homes for sale and the affordability index reached their lowest levels since at least 2010.

The economic outlook has brightened recently for both New Jersey and the United States, as interest rates are thought to have peaked and inflation continues to recede. Members of the FOMC estimated real GDP in the U.S. to grow 2.1 percent in 2024 off of a surprisingly strong 2023 (estimates show U.S. GDP rose 2.5 percent in 2023), according to their July 2024 projection. Economists surveyed by the Wall Street Journal in July 2024 forecasted real GDP growth of 1.7 percent for the U.S. in 2024.

## **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. For example, on July 17, 2023, NJDEP issued the Inland Flood Protection rule which will improve flood protection for development in New Jersey, including for State assets. The rule incorporates the current and future predicted precipitation data to ensure that projects are designed in consideration of these potential flood impacts. The NJDEP has also established a resilience planning program to provide technical and planning assistance to local governments. In 2024, the Resilient NJ program will increase the number of local governments it has supported, resulting in technical support to over 40 local governments to identify and enact appropriate measures to address climate impacts in coordination with State and federal agencies.



New Jersey has also established an Interagency Council on Climate Resilience (the “Interagency Council”) to develop consistent statewide policies and actions, and establish both short and long-term action plans, by which State departments and agencies will work both individually and collectively to address climate impacts. The recently expanded council is made up of representatives from 26 State agencies and departments, and staffed by New Jersey’s Chief Resilience Officer. In 2021, the Interagency Council released New Jersey’s Statewide Climate Change Resilience Strategy that includes recommendations to promote the long-term mitigation, adaptation, and resilience of New Jersey’s economy, communities, infrastructure, and natural resources throughout the State. The Council released a final Extreme Heat Resilience Action Plan in July 2024 identifying 136 specific actions to be implemented by individual agencies (or across multiple agencies) to mitigate effects of extreme heat.

In response to these increasing risks across the State, the New Jersey flood risk notification law, *L. 2023, c. 93*, was enacted on July 3, 2023. The law requires landlords and sellers of real property to make certain disclosures concerning known and potential flood risks.

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**

State government has implemented a comprehensive cybersecurity program that is aligned with the six key functions of the National Institute of Standards and Technology’s Cybersecurity Framework, namely: governance, identify, protect, detect, respond, and recover. The New Jersey Office of Information Technology (“NJOIT”) serves as the State’s centralized infrastructure technology provider. Over the past 24 months, NJOIT has implemented advanced technologies to modernize the Garden State Network infrastructure, which includes next-generation firewalls with advanced cyber threat intelligence features, to enhance the State government’s cybersecurity posture. These efforts are in collaboration 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. The NJCCIC manages the State’s security operation center to monitor, detect, and respond to attacks in real-time. 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 2024 Revenues Stabilize*

The Fiscal Year 2024 revenue forecast projects total revenue of \$52.9 billion, an increase of \$804.8 million compared to Fiscal Year 2023.

The New Jersey Gross Income Tax (“GIT”) is the State budget’s largest tax revenue source. The Fiscal Year 2024 GIT revenue estimate of \$18.7 billion anticipates a decline of \$147.7 million, or 0.8 percent below Fiscal Year 2023. Withholding collections from employee wages rose by more than 6.0 percent during the fiscal year, but that growth was not enough to offset weakness in quarterly estimated and final extension payments, and historically high refund issuances. The GIT estimate includes a tax policy change: an increase in the child tax credit for families with young children (*L. 2022, c. 24*), is expected to save taxpayers an additional \$120.0 million.

The Sales and Use Tax (“SUT”) is the State’s second largest tax revenue. The Fiscal Year 2024 SUT forecast of \$13.4 billion is up \$105.7 million, or 0.8 percent above Fiscal Year 2023 collections. Revenue growth was low through the first half of Fiscal Year 2024, lagging the rate of regional Core CPI. The remainder of Fiscal Year 2024 has seen increased SUT revenue growth closer to the rate of inflation. SUT energy-use related collections are expected to fall, but not as steeply as originally anticipated, as natural gas prices decline and less energy was utilized due to warmer winter temperatures.

The Fiscal Year 2024 Corporation Business Tax (“CBT”) revenue forecast of \$5.2 billion is down \$291.8 million, or 5.3 percent below Fiscal Year 2023. Fiscal Year 2024 CBT revenue collections were expected to decline due to the expiration of the CBT surtax on December 31, 2023. However, the decline has been greater than anticipated as historically high refund issuances have more than offset a significant one-time multi-year tax settlement. The refund surge is a function of multiple factors, including prior overpayments, claims for various tax credits for prior privilege periods, and increased utilization of net operating losses.

The Fiscal Year 2024 Pass-Through Business Alternative Income Tax (“PTBAIT”) revenue forecast of \$4.2 billion is up \$191.0 million from the total PTBAIT revenues collected in Fiscal Year 2023. Collections were forecasted to grow slightly in Fiscal Year 2024, as profits were expected to moderate, but more taxpayers were expected to elect to pay the tax for the first time. Additionally, collections were thought to have largely stabilized as early electors of the tax have transitioned to making regular quarterly estimated and final payments.

Among other notable tax revenues, the Transfer Inheritance Tax is expected to total \$543.7 million for Fiscal Year 2024, down \$24.2 million from Fiscal Year 2023, while the Realty Transfer Fee is expected to decline by \$95.0 million to \$428.2 million. Petroleum Products Gross Receipts Tax revenues are expected to grow slightly, up by \$27.3 million to a revised Fiscal Year 2024 projected total of \$1.5 billion, which includes the tax rate increase that went into effect on October 1, 2023. Insurance Premiums Tax revenues in Fiscal Year 2024 are projected at \$582.4 million, down \$58.9 million from the prior year as refund activity was greater than anticipated during the first half of Fiscal Year 2024. Relatedly, total budgeted revenues also include \$700.0 million in Fiscal Year 2024 from certain payments arising from the approved reorganization of Horizon Healthcare Services, Inc. to a mutual holding company. The State’s investment earnings remain noticeably strong in Fiscal Year 2024, yielding an estimated \$1.1 billion, up \$229.1 million from Fiscal Year 2023 due to higher State balances and higher interest rates. All Fiscal Year 2024 revenues remain subject to adjustment pending completion of the annual audit.

#### *Fiscal Year 2025 Revenues Forecasted to Grow 3.0 Percent*

The Fiscal Year 2025 Appropriations Act is based on anticipated revenue growth of 3.0 percent to \$54.5 billion. The overall increase of \$1.6 billion from Fiscal Year 2024 anticipates steady economic performance and growth among most major tax revenues, bolstered by the addition of the Corporate Transit Fee, which is estimated to generate roughly \$1.0 billion in Fiscal Year 2025.

The Fiscal Year 2025 GIT projection of \$19.7 billion is an increase of \$1.0 billion, or 5.6 percent above Fiscal Year 2024. Positive wage growth and stable employment are expected to support continued withholding collections growth similar to the long-run historical pattern. Non-wage income sources are also expected to grow in Fiscal Year 2025 as financial markets maintain a two year rebound.

The State’s GIT collections 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. For example, the State experienced a decline in GIT collections of \$1.9 billion in Fiscal Year 2023 compared to Fiscal Year 2022. This was primarily attributable to income tax collections from certain high-income sources such as capital gains realizations falling substantially, and also the impact of credits utilized by taxpayers of the PTBAIT. A further small decline in GIT collections of approximately \$147.7 million is currently forecasted for Fiscal Year 2024, followed by the growth in Fiscal Year 2025 described in the preceding paragraph. If financial markets continue to encounter volatility and disruption, State revenues in Fiscal Year 2025 may be adversely affected in contrast to the revenue surges experienced in prior years.

Additionally, the State is cognizant of potential changes in federal tax policy impacting years after Fiscal Year 2025, as certain provisions of the Tax Cuts and Jobs Act of 2017 either expire or are amended. Federal tax law changes, such as to the State and Local Tax (“SALT”) deduction, may induce tax planning adjustments by individuals and business entities that alter State tax collections under both the GIT and the PTBAIT. While the specifics of any future federal tax policy changes are unknown, the induced impact could increase, decrease, or shift State revenue collections in or among several fiscal years.

Fiscal Year 2025 SUT revenue collections are projected at \$13.9 billion, an increase of \$513.7 million or 3.8 percent over Fiscal Year 2024. Consumer spending is expected to improve from Fiscal Year 2024 and keep up with

price inflation. The Fiscal Year 2025 revenue forecast also includes two recently enacted tax policy changes that account for one-fifth of the SUT revenue growth (*L. 2024, c. 19*): (1) the repeal of the annual SUT holiday for back to school purchases estimated at \$35.0 million; and (2) the first step in a two-year phase out of the SUT exemption on the purchase of electric vehicles estimated at \$80.0 million.

Fiscal Year 2025 CBT revenue collections are projected to fall 16.9 percent in Fiscal Year 2025 from Fiscal Year 2024 levels, declining to \$4.3 billion primarily due to the full impact of the expiration of the CBT surtax on corporations with income over \$1.0 million. The surtax expiration is expected to reduce CBT revenues in Fiscal Year 2025 by an additional \$800 million from Fiscal Year 2024. While baseline collections decline due to the surtax change, economic forecasters anticipate an improving corporate profits outlook for 2024 and 2025, which partially mitigates the year-to-year decline.

The revenue forecast also includes a newly enacted Corporate Transit Fee on corporations with income over \$10.0 million (*L. 2024, c. 20*). The Corporate Transit Fee is estimated to initially raise \$1.0 billion in Fiscal Year 2025, including \$205.0 million in anticipated one-time catch-up payments related to a retroactive effective date to the start of Tax Year 2024. This fee is expected to generate between \$800.0 million and \$900.0 million in annually recurring collections to support New Jersey Transit.

Stability in PTBAIT revenue collections is anticipated as well as growth in other taxes such as the Realty Transfer Fee and the Insurance Premiums Tax. The Federal Open Market Committee is expected to begin cutting the federal funds rate in the latter half of 2024 and into 2025, which should improve the economic climate. However, the total State revenue increase in Fiscal Year 2025 is constrained due to the non-recurrence of \$675.0 million in payments from Horizon Healthcare Services, Inc. resulting from the approved reorganization to a mutual holding company, and the anticipated \$281.1 million decline from investment earnings due to declining State fund balances and lower expected interest rates compared to the prior fiscal year.

The following table sets forth actual and estimated revenues for fiscal years ended June 30, 2021 through 2025 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 2021, 2022 and 2023 are actual and final. The Fiscal Year 2024 estimates are subject to adjustment pending completion of the annual audit. The Fiscal Year 2025 estimates are as presented in the Fiscal Year 2025 Appropriations Act and are based on the economic data presented above.

See “FINANCIAL RESULTS AND ESTIMATES – New Jersey Current Economic Outlook” above and “APPENDIX I-A – SUMMARY OF CERTAIN STATE TAXES” below.

<b>REVENUES</b>					
<b>(In Millions)</b>					
	<b>2025</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>Estimated</b>	<b>Estimated</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>
General Fund:					
Sales and Use Tax	\$13,920.9	\$13,407.2	\$ 13,301.5	\$ 12,630.0	\$ 11,366.6
Sales and Use Tax (Energy Tax Receipts)	805.6	798.4	788.5	788.5	788.5
Less: Property Tax Dedication	<u>(1,086.6)</u>	<u>(1,047.2)</u>	<u>(1,065.8)</u>	<u>(1,013.0)</u>	<u>(917.3)</u>
Net Sales and Use Tax	13,639.9	13,158.4	13,024.2	12,405.5	11,237.8
Corporation Business Taxes <sup>(1)</sup>	4,344.8	5,230.6	5,522.4	5,718.0	4,894.9
Corporate Transit Fee	1,023.0	–	–	–	–
Business Alternative Income Tax	4,340.1	4,172.1	3,981.1	3,980.0	1,968.4
NJ COVID-19 State Emergency Fund	–	–	–	–	4,288.7
Transfer Inheritance Tax	560.3	543.7	567.9	601.7	485.3
Insurance Premium Tax	675.0	582.4	641.3	703.7	464.0
Fringe Benefit Recoveries	1,459.0	1,490.4	1,227.7	999.7	806.9
Motor Fuels Tax	464.2	465.0	468.7	461.8	434.4
Motor Vehicle Fees	434.4	420.1	424.7	393.4	477.2
Medicaid Uncompensated Care	237.8	451.6	577.8	477.6	524.2
Realty Transfer Tax	434.3	428.2	523.2	674.6	526.2
Petroleum Products Gross Receipts	1,567.8	1,466.0	1,438.7	1,553.9	1,624.2
Petroleum Products Gross Receipts-Capital Reserves	(585.8)	(582.5)	(625.3)	(756.3)	(844.3)
Corporation Business Tax-Banks and Financials <sup>(1)</sup>	–	–	68.1	81.9	107.8

Cigarette Tax	10.6	36.9	63.4	38.0	71.0
Alcoholic Beverage Excise Tax	149.8	146.4	146.3	142.6	140.1
Other	4,251.7	4,515.2	3,590.5	2,879.6	2,514.5
Total General Fund <sup>(2)</sup>	33,006.9	32,524.5	31,640.7	30,355.7	29,721.3
Property Tax Relief Fund:					
Gross Income Tax	19,694.6	18,651.0	18,798.7	20,737.5	17,469.9
Plus: Property Tax Dedication	1,109.3	1,069.9	1,095.6	1,041.4	943.9
Gross Property Tax Relief Fund	20,803.9	19,720.9	19,894.3	21,778.9	18,413.8
Gubernatorial Elections Fund-Taxpayer Designations	0.7	0.7	0.2	0.2	0.3
Casino Control Fund-License Fees, Interest	77.4	73.6	64.0	60.2	54.0
Casino Revenue Fund-8% Gross Revenue Tax, Other Taxes and Fees, Interest	618.6	584.5	500.2	458.0	363.5
Total	\$54,507.5	\$52,904.2	\$ 52,099.4	\$ 52,653.0	\$ 48,552.9

<sup>(1)</sup> For display purposes, beginning in Fiscal Year 2024, amounts previously reported under "Corporation Business Tax – Banks and Financials" are now included with amounts reported under "Corporation Business Taxes".

<sup>(2)</sup> 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.

## Revenues — Dollar Growth

The following table sets forth actual and estimated incremental dollar growth in revenues for fiscal years ended June 30, 2021 through 2025 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 2021, 2022 and 2023 are actual and final. The Fiscal Year 2024 estimates are subject to adjustment pending completion of the annual audit. The Fiscal Year 2025 estimates are as presented in the Fiscal Year 2025 Appropriations Act.

### REVENUES — DOLLAR GROWTH (In Millions)

	2025 Estimated	2024 Estimated	2023 Actual	2022 Actual	2021 Actual
General Fund:					
Sales and Use Tax	\$ 513.7	\$105.7	\$ 671.5	\$1,263.4	\$ 1,580.6
Sales and Use Tax (Energy Tax Receipts)	7.2	9.9	—	—	—
Less: Property Tax Dedication	(39.4)	18.6	(52.8)	(95.7)	(119.2)
Net Sales and Use Tax	481.5	134.2	618.7	1,167.7	1,461.4
Corporation Business Taxes <sup>(1)</sup>	(885.8)	(291.8)	(195.6)	823.1	1,083.3
Corporate Transit Fee	1,023.0	—	—	—	—
Business Alternative Income Tax	168.0	191.0	1.1	2,011.6	1,968.4
NJ COVID-19 State Emergency Fund	—	—	—	(4,288.7)	4,288.7
Transfer Inheritance Tax	16.6	(24.2)	(33.8)	116.4	127.2
Insurance Premium Tax	92.6	(58.9)	(62.4)	239.7	(158.3)
Fringe Benefit Recoveries	(31.4)	262.7	228.0	192.8	98.8
Motor Fuels Tax	(0.8)	(3.7)	6.9	27.4	(6.0)
Motor Vehicle Fees	14.3	(4.6)	31.3	(83.8)	56.9
Medicaid Uncompensated Care	(213.8)	(126.2)	100.2	(46.6)	5.7
Realty Transfer Tax	6.1	(95.0)	(151.4)	148.4	161.5
Petroleum Products Gross Receipts	101.8	27.3	(115.2)	(70.3)	285.8
Petroleum Products Gross Receipts-Capital Reserves	(3.3)	42.8	131.0	88.0	(265.8)
Corporation Business Tax-Banks and Financials <sup>(1)</sup>	—	(68.1)	(13.8)	(25.9)	(175.2)
Cigarette Tax	(26.3)	(26.5)	25.4	(33.0)	(9.1)
Alcoholic Beverage Excise Tax	3.4	0.1	3.7	2.5	18.3
Other	(263.5)	924.7	710.9	365.1	154.1
Total General Fund <sup>(2)</sup>	\$ 482.4	\$883.8	\$1,285.0	\$ 634.4	\$ 9,095.7
Property Tax Relief Fund:					
Gross Income Tax	1,043.6	(147.7)	(1,938.8)	3,267.6	1,216.2
Plus: Property Tax Dedication	39.4	(25.7)	54.2	97.5	123.1
Gross Property Tax Relief Fund	1,083.0	(173.4)	(1,884.6)	3,365.1	1,339.3
Gubernatorial Elections Fund-Taxpayer Designations	—	0.5	—	(0.1)	—
Casino Control Fund-Licenses, Interest	3.8	9.6	3.8	6.2	3.7
Casino Revenue Fund-8% Gross Revenue Tax, Other Taxes and Fees, Interest	34.1	84.3	42.2	94.5	101.0
Total	\$1,603.3	\$804.8	\$(553.6)	\$4,100.1	\$10,539.7

- (1) For display purposes, beginning in Fiscal Year 2024, amounts previously reported under “Corporation Business Tax – Banks and Financials” are now included with amounts reported under “Corporation Business Taxes”.
- (2) 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.

## 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, 2021 through 2025 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 2021, 2022 and 2023 are actual and final. The Fiscal Year 2024 estimates are subject to adjustment pending completion of the annual audit. The Fiscal Year 2025 estimates are as presented in the Fiscal Year 2025 Appropriations Act.

### REVENUES — PERCENTAGE GROWTH

	2025 Estimated	2024 Estimated	2023 Actual	2022 Actual	2021 Actual
General Fund:					
Sales and Use Tax	3.8%	0.8%	5.3%	11.1%	16.2%
Sales and Use Tax (Energy Tax Receipts)	0.9	1.3	—	—	—
Less: Property Tax Dedication	3.8	(1.7)	5.2	10.4	14.9
Net Sales and Use Tax	3.7	1.0	5.0	10.4	14.9
Corporation Business Taxes <sup>(1)</sup>	(16.9)	(5.3)	(3.4)	16.8	28.4
Corporate Transit Fee	100.0	—	—	—	—
Business Alternative Income Tax	4.0	4.8	—	102.2	—
NJ COVID-19 State Emergency Fund	—	—	—	(100.0)	—
Transfer Inheritance Tax	3.1	(4.3)	(5.6)	24.0	35.5
Insurance Premium Tax	15.9	(9.2)	(8.9)	51.7	(25.4)
Fringe Benefit Recoveries	(2.1)	21.4	22.8	23.9	14.0
Motor Fuels Tax	(0.2)	(0.8)	1.5	6.3	(1.4)
Motor Vehicle Fees	3.4	(1.1)	8.0	(17.6)	13.5
Medicaid Uncompensated Care	(47.3)	(21.8)	21.0	(8.9)	1.1
Realty Transfer Tax	1.4	(18.2)	(22.4)	28.2	44.3
Petroleum Products Gross Receipts	6.9	1.9	(7.4)	(4.3)	21.4
Petroleum Products Gross Receipts-Capital Reserves	0.6	(6.8)	(17.3)	(10.4)	45.9
Corporation Business Tax-Banks and Financials <sup>(1)</sup>	—	(100.0)	(16.8)	(24.0)	(61.9)
Cigarette Tax	(71.3)	(41.8)	66.8	(46.5)	(11.4)
Alcoholic Beverage Excise Tax	2.3	0.1	2.6	1.8	15.0
Other	(5.8)	25.8	24.7	14.5	6.5
Total General Fund <sup>(2)</sup>	1.5	2.8	4.2	2.1	44.1
Property Tax Relief Fund:					
Gross Income Tax	5.6	(0.8)	(9.3)	18.7	7.5
Plus: Property Tax Dedication	3.7	(2.3)	5.2	10.3	15.0
Gross Property Tax Relief Fund	5.5	(0.9)	(8.7)	18.3	7.8
Gubernatorial Elections Fund-Taxpayer Designations	—	250.0	—	(33.3)	—
Casino Control Fund-Licenses, Interest	5.2	15.0	6.3	11.5	7.4
Casino Revenue Fund-8% Gross Revenue Tax, Other Taxes and Fees, Interest	5.8	16.9	9.2	26.0	38.5
Total	3.0%	1.5%	(1.1)%	8.4%	27.7%

- (1) For display purposes, beginning in Fiscal Year 2024, amounts previously reported under “Corporation Business Tax – Banks and Financials” are now included with amounts reported under “Corporation Business Taxes”.

- (2) 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, 2021 through 2025 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 2021, 2022 and 2023 are actual and final. The Fiscal Year 2024 estimates are subject to adjustment pending completion of the annual audit. The Fiscal Year 2025 estimates are as presented in the Fiscal Year 2025 Appropriations Act.

### REVENUES — PERCENT OF TOTAL

	2025 Estimated	2024 Estimated	2023 Actual	2022 Actual	2021 Actual
General Fund:					
Sales and Use Tax	25.5%	25.3%	25.5%	24.0%	23.4%
Sales and Use Tax (Energy Tax Receipts)	1.5	1.5	1.5	1.5	1.6
Less: Property Tax Dedication	(2.0)	(2.0)	(2.0)	(1.9)	(1.9)
Net Sales and Use Tax	25.0	24.8	25.0	23.5	23.1
Corporation Business Taxes <sup>(1)</sup>	8.0	9.9	10.6	10.9	10.1
Corporate Transit Fee	1.9	—	—	—	—
Business Alternative Income Tax	8.0	7.9	7.6	7.5	4.1
NJ COVID-19 State Emergency Fund	—	—	—	—	8.8
Transfer Inheritance Tax	1.0	1.0	1.1	1.1	1.0
Insurance Premium Tax	1.2	1.1	1.2	1.3	1.0
Fringe Benefit Recoveries	2.7	2.8	2.4	1.9	1.7
Motor Fuels Tax	1.0	0.9	0.9	0.9	0.9
Motor Vehicle Fees	0.8	0.8	0.8	0.7	1.0
Medicaid Uncompensated Care	0.4	0.9	1.1	0.9	1.1
Realty Transfer Tax	0.8	0.8	1.0	1.3	1.1
Petroleum Products Gross Receipts	2.9	2.8	2.8	3.0	3.3
Petroleum Products Gross Receipts-Capital Reserves	(1.1)	(1.2)	(1.2)	(1.4)	(1.7)
Corporation Banks and Financials <sup>(1)</sup>	0.0	0.0	0.1	0.2	0.2
Cigarette Tax	0.0	0.1	0.1	0.1	0.1
Alcoholic Beverage Excise Tax	0.3	0.3	0.3	0.3	0.3
Other	7.8	8.6	6.9	5.5	5.2
Total General Fund <sup>(2)</sup>	60.7	61.5	60.7	57.7	61.3
Property Tax Relief Fund:					
Gross Income Tax	36.1	35.3	36.1	39.4	36.0
Plus: Property Tax Dedication	2.0	2.0	2.1	2.0	1.9
Gross Property Tax Relief Fund	38.1%	37.3%	38.2%	41.4%	37.9%
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	1.1	1.1	1.0	0.9	0.7
Total	100.0%	100.0%	100.0%	100.0%	100.0%

<sup>(1)</sup> For display purposes, beginning in Fiscal Year 2024, amounts previously reported under “Corporation Business Tax – Banks and Financials” are now included with amounts reported under “Corporation Business Taxes”.

<sup>(2)</sup> 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* and *L. 2023, c. 98*, established several new programs 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 projected tax credit award amounts to actual award amounts for the NJEDA’s Legacy Programs and the NJ ERA Programs from Fiscal Year 2020 to Fiscal Year 2024, and provides the current projected award amounts for Fiscal Year 2025. Actual award amounts ranged from 45.4 percent to 71.9 percent of the projected level from Fiscal Year 2020 to Fiscal Year 2023, then rose to 85.7 percent in Fiscal Year 2024, possibly accounting for some portion of the increased level of CBT refund activity witnessed in recent years. In Fiscal Year 2024, projected and actual credit award amounts were greater than the year prior as Grow NJ Tax Credit awards increased substantially. However, actual Fiscal Year 2024 issuances were less than originally projected as certain NJ ERA programs are not expected to come online until Fiscal Year 2025. Fiscal Year 2025 awards are currently projected to fall just short of \$1.0 billion. While tax credits primarily impact CBT revenues, certain credits can also be applied against GIT liabilities and the State’s Insurance Premiums Tax.

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

	<b>Fiscal Year 2020</b>	<b>Fiscal Year 2021</b>	<b>Fiscal Year 2022</b>	<b>Fiscal Year 2023</b>	<b>Fiscal Year 2024</b>	<b>Fiscal Year 2025</b>
Projected Award Amounts*	\$872.1	\$876.8	\$883.7	\$1,105.5	\$1,160.9	\$987.0**
Actual Award Amounts	\$396.3	\$437.8	\$592.3	\$795.4	\$994.4	n/a
Difference	\$475.8	\$439.0	\$291.4	\$310.1	\$166.5	n/a

\* For Fiscal Year 2020 through Fiscal Year 2024, projected award amounts are estimates as of January of the given Fiscal Year. The Fiscal Year 2025 projection is as of July 2024.

\*\* Projections subject to revision.

*NJ ERA - Economic Development Tax Incentive Programs*

The NJ ERA established eight new tax credit programs including a smaller program aimed at supporting the in-State manufacturing of personal protective equipment (“PPE”). The PPE Manufacturing Tax Credit Program was for Tax Years 2020 through 2022 and had an annual cap of \$10.0 million. However, as of the date hereof, NJEDA has not issued any tax credits under this program. The seven primary programs expire after nine 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 nine-year period. After the completion of the sixth 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. In the case of the Aspire/Emerge Program, part of the cap may be utilized for tax credit awards for qualified offshore wind projects or for New Jersey studio partners under certain circumstances. The table below summarizes the annual tax credit award limits and projected award amounts for the seven primary programs created by the NJ ERA:

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

	Annual Cap	Total Cap	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025
Historic Property Reinvestment Act	\$50	\$300	–	–	–
Brownfield Redevelopment Incentive Program Act	50	300	–	–	–
New Jersey Innovation Evergreen Act	60	300	\$50	–	\$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	–	–	–
New Jersey Aspire (Transformative)	–	2,500	–	–	–
<b>Total “New NJ ERA Programs”</b>	<b>\$1,500</b>	<b>\$11,500</b>	<b>\$50</b>	<b>\$0</b>	<b>\$100</b>

*Tax Credit Buy-Back Requirements*

The NJ ERA 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 2021 through Fiscal Year 2025*

The following table sets forth the composition of annual appropriations in Fiscal Years 2021 through 2025, 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 2021, 2022 and 2023 are actual and final. The Fiscal Year 2024 estimates are subject to adjustment pending completion of the annual audit. The Fiscal Year 2025 estimates are as presented in the Fiscal Year 2025 Appropriations Act, as amended by supplemental appropriations enacted shortly after the enactment of the Fiscal Year 2025 Appropriations Act.



**APPROPRIATIONS FOR BUDGETED STATE FUNDS<sup>(1)</sup>**  
(In Millions)

	<b>2025 Estimated</b>	<b>2024 Estimated</b>	<b>2023 Actual</b>	<b>2022 Actual</b>	<b>2021 Actual</b>
<b>General Fund</b>					
Legislature	\$ 127.3	\$ 118.7	\$ 109.9	\$ 107.1	\$ 96.5
Chief Executive	14.7	13.7	11.7	9.2	7.2
Department of:					
Agriculture	107.5	286.2	104.2	116.4	88.2
Banking and Insurance	75.3	90.3	90.3	89.5	64.0
Children and Families	1,495.6	1,438.7	1,326.9	1,283.0	1,212.1
Community Affairs	232.2	389.3	338.0	377.4	152.3
Corrections	1,151.9	1,219.2	1,176.6	1,101.1	1,044.7
Education	6,205.8	5,311.8	941.2	249.1	2,743.3
Environmental Protection	516.8	730.0	724.8	695.8	489.4
Health	1,394.5	1,431.2	1,176.1	1,183.8	1,120.6
Human Services	8,962.4	8,438.2	7,594.6	6,720.9	6,250.0
Labor and Workforce Development	206.8	208.4	204.7	207.6	176.3
Law and Public Safety	870.6	853.4	772.0	682.9	659.6
Military and Veterans' Affairs	125.4	125.2	105.3	100.0	96.4
State	2,147.4	2,085.2	1,839.0	1,759.7	1,496.0
Transportation	1,778.0	1,709.5	1,613.0	1,585.7	1,839.2
Treasury	1,756.5	1,851.5	1,941.1	1,749.9	1,640.5
Miscellaneous Commissions	1.0	1.0	1.0	1.0	0.8
Interdepartmental Accounts - Employee Benefits and Miscellaneous	7,236.6	7,604.9	7,174.8	11,885.3	8,777.0
Judicial Branch	895.5	917.5	852.1	831.7	810.5
Total, General Fund	<u>35,301.8</u>	<u>34,823.9</u>	<u>28,097.3</u>	<u>30,737.1</u>	<u>28,764.6</u>
<b>Property Tax Relief Fund</b>					
Department of:					
Agriculture	71.2	41.2	19.0	18.2	13.2
Community Affairs	965.3	1,138.7	997.5	856.5	824.9
Corrections	39.6	41.2	33.4	25.6	23.5
Education	14,812.9	14,617.3	17,856.7	18,009.2	12,893.3
Environmental Protection	12.8	16.3	14.3	7.8	6.5
Human Services	273.2	265.0	245.2	247.2	228.5
Law and Public Safety	9.0	9.5	5.5	5.0	4.6
State	4.9	7.2	6.8	5.0	3.7
Transportation	321.9	327.3	319.3	301.9	228.9
Treasury	4,134.1	4,167.7	3,689.4	1,975.5	1,783.8
Interdepartmental Accounts - Employee Benefits and Miscellaneous	14.2	45.5	45.5	45.4	45.4
Total, Property Tax Relief Fund	<u>20,659.1</u>	<u>20,676.9</u>	<u>23,232.6</u>	<u>21,497.3</u>	<u>16,056.3</u>
<b>Gubernatorial Elections Fund</b>					
Department of:					
Law and Public Safety	28.9	—	—	21.5	11.0
Total, Gubernatorial Elections Fund	<u>28.9</u>	<u>—</u>	<u>—</u>	<u>21.5</u>	<u>11.0</u>
<b>Casino Control Fund</b>					
Department of:					
Law and Public Safety	68.7	65.5	60.1	55.0	53.3
Treasury	8.7	8.1	8.0	7.4	7.6
Total, Casino Control Fund	<u>77.4</u>	<u>73.6</u>	<u>68.1</u>	<u>62.4</u>	<u>60.9</u>
<b>Casino Revenue Fund</b>					
Department of:					
Health	0.5	0.5	0.5	0.5	0.5
Human Services	615.8	523.8	498.4	461.4	364.1
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>618.6</u>	<u>526.6</u>	<u>501.2</u>	<u>464.2</u>	<u>366.9</u>
<b>Total Appropriations</b>	<u><u>\$56,685.8</u></u>	<u><u>\$56,101.0</u></u>	<u><u>\$51,899.2</u></u>	<u><u>\$52,782.5</u></u>	<u><u>\$45,259.7</u></u>

(footnote appears on next page)

<sup>(1)</sup> 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 actual supplemental appropriations for Fiscal Years 2021 through 2023, the adjusted appropriation for Fiscal Year 2024, which is subject to further adjustment pending completion of the annual audit and the appropriations for Fiscal Year 2025 as presented in the Fiscal Year 2025 Appropriations Act, as amended by supplemental appropriations enacted shortly after the enactment of the Fiscal Year 2025 Appropriations Act.

**SUMMARY OF APPROPRIATIONS BY MAJOR CATEGORY**  
(In Millions)

	<b>Fiscal Year 2025 Estimated</b>	<b>Fiscal Year 2024 Estimated</b>	<b>Fiscal Year 2023 Actual</b>	<b>Fiscal Year 2022 Actual</b>	<b>Fiscal Year 2021 Actual</b>
State Aid	\$24,124.1	\$23,324.3	\$21,861.6	\$20,861.7	\$18,231.0
Grants-in-Aid	18,588.0	18,087.4	16,199.1	14,023.2	12,204.3
Direct State Services	11,419.2	11,764.8	10,645.6	10,148.2	8,593.6
Capital Construction	1,980.3	2,342.8	2,572.2	7,354.2	5,589.6
Debt Service on General Obligation Bonds	574.2	581.7	620.7	395.2	641.2
<b>Total</b>	<b>\$56,685.8</b>	<b>\$56,101.0</b>	<b>\$51,899.2</b>	<b>\$52,782.5</b>	<b>\$45,259.7</b>

Total Fiscal Year 2025 appropriations increased by almost \$585 million as compared to total Fiscal Year 2024 adjusted appropriations. 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, continuing enhanced payments to child care providers, net increases in Health Benefits costs, additional funding for higher education, as well as support for enhanced benefits under the Affordable New Jersey Communities for Homeowners and Renters (“ANCHOR”) property tax rebate program and for StayNJ. StayNJ is a new property tax relief program that will provide a property tax credit for eligible seniors, and is scheduled to begin in January 2026. The Fiscal Year 2025 appropriation of \$220 million for the StayNJ program is part of a scheduled buildup to ensure the program has resources to support the costs of the program when implemented. These combined increases are partially offset by the removal in Fiscal Year 2025 of one-time appropriations enacted in Fiscal Year 2024.

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The following tables set forth appropriations by department and by major category for Fiscal Year 2025 and adjusted appropriations by department and major category for Fiscal Year 2024.

**APPROPRIATIONS FOR BUDGETED STATE FUNDS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2025  
(In Millions)**

<b>Government Branch</b>	<b>Direct State Services</b>	<b>Grants-in-Aid</b>	<b>State Aid</b>	<b>Capital Construction</b>	<b>Debt Service</b>	<b>Total</b>
Chief Executive	\$ 14.7	\$ –	\$ –	\$ –	\$ –	\$ 14.7
Agriculture	13.2	94.3	71.2	–	–	178.7
Banking and Insurance	75.3	–	–	–	–	75.3
Children and Families	450.2	1,045.4	–	–	–	1,495.6
Community Affairs	69.5	152.8	975.2	–	–	1,197.5
Corrections	1,051.2	100.7	39.6	–	–	1,191.5
Education	120.9	77.2	20,820.6	–	–	21,018.7
Environmental Protection	298.5	5.0	19.6	179.1	27.4	529.6
Health	479.8	915.2	–	–	–	1,395.0
Human Services	346.3	8,967.3	537.8	–	–	9,851.4
Labor and Workforce Development	125.0	84.0	–	–	–	209.0
Law and Public Safety	879.9	68.6	28.8	–	–	977.3
Military and Veterans' Affairs	118.1	7.3	–	–	–	125.4
State	73.3	2,056.1	22.9	–	–	2,152.3
Transportation	158.3	161.5	121.9	1,658.2	–	2,099.9
Treasury	683.6	3,182.4	1,486.5	–	546.8	5,899.3
Miscellaneous Commissions	1.0	–	–	–	–	1.0
Interdepartmental	5,437.6	1,670.2	–	143.0	–	7,250.8
<b>Subtotal</b>	<u>10,396.4</u>	<u>18,588.0</u>	<u>24,124.1</u>	<u>1,980.3</u>	<u>574.2</u>	<u>55,663.0</u>
<b>Legislature</b>	127.3					127.3
<b>Judiciary</b>	895.5					895.5
<b>Grand Total</b>	<u>\$ 11,419.2</u>	<u>\$ 18,588.0</u>	<u>\$24,124.1</u>	<u>\$1,980.3</u>	<u>\$ 574.2</u>	<u>\$56,685.8</u>

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**ADJUSTED 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	11.6	95.9	41.2	178.7	–	327.4
Banking and Insurance	90.3	–	–	–	–	90.3
Children and Families	423.4	1,015.3	–	–	–	1,438.7
Community Affairs	78.1	288.6	1,161.3	–	–	1,528.0
Corrections	1,119.6	99.7	41.1	–	–	1,260.4
Education	123.0	95.6	19,710.5	–	–	19,929.1
Environmental Protection	301.3	12.9	23.1	377.6	31.4	746.3
Health	506.3	925.4	–	–	–	1,431.7
Human Services	344.3	8,368.3	514.4	–	–	9,227.0
Labor and Workforce Development	122.5	88.1	–	–	–	210.6
Law and Public Safety	850.7	58.0	19.8	–	–	928.5
Military and Veterans' Affairs	118.6	6.6	–	–	–	125.2
State	82.1	1,983.1	27.2	–	–	2,092.4
Transportation	167.5	164.0	127.3	1,578.0	–	2,036.8
Treasury	648.4	3,170.2	1,658.4	–	550.3	6,027.3
Miscellaneous Commissions	1.0	–	–	–	–	1.0
Interdepartmental	5,726.2	1,715.7	–	208.5	–	7,650.4
<b>Subtotal</b>	<b>10,728.6</b>	<b>18,087.4</b>	<b>23,324.3</b>	<b>2,342.8</b>	<b>581.7</b>	<b>55,064.8</b>
<b>Legislature</b>	<b>118.7</b>					<b>118.7</b>
<b>Judiciary</b>	<b>917.5</b>					<b>917.5</b>
<b>Grand Total</b>	<b>\$ 11,764.8</b>	<b>\$ 18,087.4</b>	<b>\$23,324.3</b>	<b>\$ 2,342.8</b>	<b>\$581.7</b>	<b>\$ 56,101.0</b>

**Programs Funded Under Appropriations in Fiscal Year 2025**

\$56.686 billion in appropriations is appropriated for Fiscal Year 2025 from the General Fund, the Property Tax Relief Fund, the Casino Control Fund, the Casino Revenue Fund and the Gubernatorial Elections Fund. \$24.124 billion (43%) is appropriated 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. \$18.588 billion (33%) is appropriated 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. \$11.419 billion (20%) is appropriated 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. \$1.981 billion (3%) is appropriated for Capital Construction, which supports capital construction pay-as-you-go and debt service on bonds issued to fund capital construction. \$574 million (1%) is appropriated for Debt Service on State General Obligation Bonds.

In Fiscal Year 2025, \$6.036 billion of State funds has been appropriated 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 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 23, 2024. 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 2025, requests for Capital Construction funding were substantially higher than the amount recommended by the Commission. The appropriations for Capital Construction contained in the Fiscal Year 2025 Appropriations Act are largely based on the recommendations of the Commission. In addition to amounts in the Fiscal Year 2025 Appropriations Act, the Debt Defeasance and Prevention Fund will be utilized to address additional capital projects, including, but not limited to the remaining capital projects recommended by the Commission that are not included in the Fiscal Year 2025 Appropriations Act. There can be no assurance that the amounts ultimately appropriated, either through General Fund appropriations or the Debt Defeasance and Prevention Fund, 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 Fiscal Year 2025 Appropriations Act includes a \$2 billion Transportation Capital Program for the New Jersey Department of Transportation ("NJDOT"), NJ Transit and local governments. *L. 2024, c. 7* provides for a five (5) year, \$10.367 billion Transportation Capital Program between Fiscal Year 2025 and Fiscal Year 2029, with amounts above \$2 billion in Fiscal Years 2027 to 2029 specifically allocated in 25% allotments of the total amount above \$2 billion to counties, municipalities, the Department of Transportation, and the New Jersey Transit Corporation for transportation projects. *L. 2024, c. 7* amends *L. 2016, c. 56* and increases the New Jersey Transportation Trust Fund Authority's existing aggregate bonding capacity to \$15.6 billion through June 30, 2029. Additionally, *L. 2024, c. 7* revises the rate of tax imposed on highway fuels under the Petroleum Products Gross Receipts Tax by setting the highway fuel cap amount for Fiscal Years 2025 to 2029, and establishes an additional annual fee for zero emission vehicles. The revenues from the additional annual fee for zero emission vehicles shall be deposited to the Transportation Trust Fund Account – Subaccount for Capital Reserves, but no amount of the monies deposited shall be appropriated to pay for debt service on any bonds of the New Jersey Transportation Trust Fund Authority, unless subsequently constitutionally dedicated.

#### *Debt Service on General Obligation Bonds and State Appropriation Obligations*

The total Fiscal Year 2025 appropriation for debt service on General Obligation Bonds and State Appropriation Obligations is \$4.442 billion. Of this amount, \$574.2 million represents principal and interest payments for General Obligation Bonds.

The Fiscal Year 2025 Appropriations Act includes appropriations for debt service on State Appropriation Obligations in the aggregate amount of \$3.867 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, 2024" and "ESTIMATED FUTURE DEBT SERVICE ON LONG-TERM OBLIGATIONS AS OF JUNE 30, 2024" due to various budgetary adjustments.

### **Chapter 120 Claims**

Several Chapter 120 (as defined below) claims have been filed against departments and agencies of the State. As is discussed below, while the State's financial exposure to Chapter 120 claims is difficult to assess, the State expects that it will have significant financial exposure to these claims over the next few Fiscal Years. The State's financial exposure to these claims is not completely factored into the Fiscal Year 2025 Appropriations Act and, thus, any

appropriations with respect to these claims could reduce the State’s fund balance. The State has an overall appropriation of \$56 million to support litigation claims, which may not be sufficient to support these and other claims the State will be required to pay in Fiscal Year 2025. See “LITIGATION— Chapter 120 Claims for Injuries Resulting from Sexual Abuse” below.

## **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 2021 through 2023, which are non-budgeted revenues, amounted to \$20,348.0 million, \$24,103.9 million and \$25,599.0 million, respectively. Federal receipts in the General Fund and the Special Transportation Fund for Fiscal Year 2024 and for Fiscal Year 2025 are estimated to be \$25,368.8 million and \$26,735.3 million respectively. Such federal aid receipts for Fiscal Year 2025 are composed of \$16,051.5 million for health-related family programs under Titles XIX and XXI, \$1,606.9 million for other human services, \$1,237.8 million for Title I and other education, \$598.4 million for labor, \$2,061.8 million for transportation, and the remainder for all other federal aid programs.

### *Federal Coronavirus Relief Aid*

The federal government has provided substantial relief to the 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 all SLFRF balances have been allocated across a variety of, largely one-time, programs. If any balances from these allocations remain unspent, the State will work to ensure that all SLFRF balances are obligated by the December 31, 2024 deadline and the entire \$6.2 billion award is expended 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 2021 through 2023.

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)

	<b>For the Fiscal Year Ended June 30</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
<b>General Fund:</b>			
Legislative Branch	\$ 102.3	\$ 93.2	\$ 89.7
Chief Executive's Office	8.4	8.2	8.0
Department of:			
Agriculture	961.0	1,219.3	746.7
Banking and Insurance	86.5	80.0	54.5
Children and Families	2,130.6	2,042.3	1,799.3
Community Affairs	2,024.4	2,799.1	1,466.7
Corrections	1,304.1	1,229.0	1,149.2
Education	2,130.9	2,272.4	6,961.7
Environmental Protection	1,093.2	708.1	647.9
Health	2,661.0	2,564.5	2,450.8
Human Services	24,885.7	23,202.8	20,380.1
Labor and Workforce Development	935.1	924.7	885.0
Law and Public Safety	2,343.6	2,110.1	1,843.9
Military and Veterans' Affairs	177.6	175.1	157.2
State	2,128.9	1,760.4	1,732.9
Transportation	3,611.9	3,208.0	2,819.2
Treasury	2,423.0	2,164.8	2,118.1
Miscellaneous Executive Commissions	1.0	1.0	0.8
Interdepartmental Accounts	6,847.5	11,603.0	8,829.9
Judicial Branch	977.5	950.7	904.1
<b>Total General Fund</b>	<b>\$56,834.2</b>	<b>\$59,116.7</b>	<b>\$55,045.7</b>
<b>Property Tax Relief Fund:</b>			
Department of:			
Agriculture	\$ 17.9	\$ 14.1	\$ 8.6
Community Affairs	466.0	384.4	363.5
Corrections	33.3	23.9	21.9
Education	17,867.8	17,867.8	12,832.6
Environmental Protection	7.5	5.1	4.8
Human Services	249.2	246.0	220.2
Law and Public Safety	5.5	5.2	4.5
State	6.8	5.0	3.7
Transportation	319.3	301.9	223.4
Treasury	3,988.2	2,334.8	2,164.8
Interdepartmental	45.4	45.4	45.2
<b>Total Property Tax Relief Fund</b>	<b>\$23,006.9</b>	<b>\$21,233.6</b>	<b>\$15,893.2</b>
<b>Gubernatorial Elections Fund:</b>			
Law and Public Safety	-	\$ 19.1	\$ 10.6
<b>Casino Control Fund:</b>			
Department of:			
Law and Public Safety	\$ 57.4	\$ 53.6	\$ 49.1
Treasury	6.5	6.0	5.3
<b>Total Casino Control Fund</b>	<b>\$ 63.9</b>	<b>\$ 59.6</b>	<b>\$ 54.4</b>
<b>Casino Revenue Fund:</b>			
Department of:			
Health	\$ 0.5	\$ 0.5	\$ 0.5
Human Services	498.2	458.2	363.9
Labor and Workforce Development	2.2	2.2	0.8
Law and Public Safety	0.1	0.1	0.1
<b>Total Casino Revenue Fund</b>	<b>\$ 501.0</b>	<b>\$ 461.0</b>	<b>\$ 365.3</b>
<b>Total Expenditures</b>	<b>\$80,406.0</b>	<b>\$80,890.0</b>	<b>\$71,369.2</b>



## 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").

## 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. No TRANs have been issued since Fiscal Year 2020 and the State does not expect to issue TRANs during Fiscal Year 2025.

## 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 2023 ACFR. See also the table captioned “STATE OF NEW JERSEY — LEGISLATIVELY AUTHORIZED BUT UNISSUED DEBT, 2023 AND 2022” in the 2023 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 Year 2025 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, 2023 AND 2022” in the 2023 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, 2024 and the estimated Fiscal Year 2025 debt service on such obligations. The second table depicts the aggregate estimated future debt service as of June 30, 2024 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 2023 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.

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**SUMMARY OF LONG-TERM OBLIGATIONS  
AS OF JUNE 30, 2024**

Issuer	Type of Agreement	Principal Amount Outstanding <sup>(1)</sup>	Fiscal Year 2025 Debt Service <sup>(2)</sup>
General Obligation Bonds	General Obligation	\$3,849,830,000	\$574,182,135
<i>State Appropriation Bonds by Issuer or Program:</i>			
Garden State Preservation Trust	Contract	303,114,838	97,998,131
New Jersey Economic Development Authority			
Biomedical Research Facilities	Contract	35,635,000	3,465,473
Department of Human Services Programs	Service Contract	296,000	116,688
Liberty State Park Project	Lease	22,385,000	8,110,725
Motor Vehicle Surcharges Revenue	Contract	550,225,000	61,170,238
Motor Vehicle Surcharges Revenue - Special Needs Housing	Contract	80,777,243	32,462,270
Municipal Rehabilitation	Contract	50,105,000	14,231,037
New Jersey Transit Corporation Projects	Lease	1,370,890,000	146,450,713
Offshore Wind Port Project	Lease	147,985,000	21,017,753
School Facilities Construction	Contract	4,012,702,000	924,829,955
State House Project	Lease	292,365,000	23,797,944
State Government Buildings Projects	Lease	333,630,000	24,569,900
State Pension Funding	Contract	1,713,480,406	506,962,677
New Jersey Educational Facilities Authority			
Capital Improvement Fund	Contract	409,995,000	41,773,802
Equipment Leasing Fund	Contract	77,425,000	11,681,000
Facilities Trust Fund	Contract	165,310,000	27,760,581
Technology Infrastructure Fund	Contract	42,485,000	7,531,413
New Jersey Health Care Facilities Financing Authority			
Greystone Park Psychiatric Hospital Project	Contract	109,975,000	17,155,566
Hospital Asset Transformation Program	Contract	142,435,000	14,897,375
Marlboro Psychiatric Hospital Project	Contract	54,100,000	3,524,306
New Jersey Sports and Exposition Authority	Contract	34,045,000	32,696,653
New Jersey Transportation Trust Fund Authority			
Transportation Program Bonds	Contract	8,634,005,000	498,184,463
Transportation System Bonds	Contract	7,130,794,456	951,446,235
State-Supported County College Bonds	Statutory	202,769,595	35,851,142
State Equipment Line of Credit	Lease	43,282,607	18,761,041
Master Energy Lease Purchase Agreement	Lease	48,010,672	5,190,630.86
<b>TOTALS</b>		<b>\$29,858,052,816</b>	<b>\$4,105,819,843</b>

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

<sup>(2)</sup> For variable rate obligations, estimated interest amounts were calculated using the rates in effect on June 30, 2024. (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, 2024**

Fiscal Year	General Obligation Bonds		State Appropriation Obligations		Total
	Principal	Interest	Principal <sup>(1)</sup>	Interest <sup>(1)(2)</sup>	
2025	\$410,755,000	\$163,427,135	\$1,832,066,665	\$1,699,571,043	\$4,105,819,843
2026	384,900,000	144,183,845	1,927,712,075	1,455,635,429	3,912,431,349
2027	403,010,000	126,143,733	1,776,643,428	1,313,265,054	3,619,062,215
2028	422,290,000	106,936,733	1,939,916,136	1,225,074,741	3,694,217,610
2029	444,905,000	86,772,213	1,444,837,136	1,166,482,739	3,142,997,088
2030	466,440,000	65,546,320	804,801,587	1,039,871,711	2,376,659,618
2031	467,440,000	47,625,530	867,082,765	1,013,990,229	2,396,138,524
2032	485,550,000	29,579,205	936,848,903	984,966,979	2,436,945,087
2033	41,010,000	12,306,103	998,306,859	927,863,384	1,979,486,345
2034	37,195,000	11,320,888	1,011,524,860	888,464,398	1,948,505,146
2035	38,225,000	10,541,813	1,043,374,028	850,453,074	1,942,593,915
2036	39,280,000	9,740,725	909,112,738	927,578,173	1,885,711,637
2037	40,370,000	8,898,050	918,745,824	868,771,310	1,836,785,184
2038	34,460,000	8,011,500	869,375,526	856,884,054	1,768,731,080
2039	36,285,000	6,700,000	869,155,920	907,442,254	1,819,583,174
2040	37,860,000	4,885,750	1,061,164,782	771,792,553	1,875,703,085
2041	40,040,000	2,992,750	1,289,539,582	436,987,770	1,769,560,102
2042	19,815,000	990,750	855,752,500	252,157,726	1,128,715,976
2043	–	–	746,471,500	212,388,433	958,859,933
2044	–	–	626,725,000	177,051,175	803,776,175
2045	–	–	550,555,000	147,998,303	698,553,303
2046	–	–	530,855,000	123,672,316	654,527,316
2047	–	–	531,290,000	99,503,956	630,793,956
2048	–	–	530,830,000	75,391,538	606,221,538
2049	–	–	527,455,000	51,395,775	578,850,775
2050	–	–	479,860,000	27,348,288	507,208,288
2051	–	–	44,025,000	5,354,281	49,379,281
2052	–	–	38,945,000	3,261,881	42,206,881
2053	–	–	40,955,000	1,254,456	42,209,456
2054	–	–	4,295,000	112,744	4,407,744
	<u>\$3,849,830,000</u>	<u>\$846,603,040</u>	<u>\$26,008,222,816</u>	<u>\$18,511,985,766</u>	<u>\$49,216,641,623</u>

<sup>(1)</sup> 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.

<sup>(2)</sup> For variable rate bonds, interest amounts were calculated using the rates in effect on June 30, 2024. (See “LONG-TERM OBLIGATIONS – Description of Certain Long-Term Obligations – Variable Rate Obligations” herein.)

**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 million to the NJDOT for various capital projects and \$814 million to NJ Transit for various capital projects.

The State Legislature made an additional appropriation to the Debt Defeasance and Prevention Fund in an amount equal to \$400 million at the end of Fiscal Year 2023. This amount may be used for the same general purposes - to retire and defease State debt and to fund capital projects on a pay-as-you-go basis. However, the State Legislature designated specific allocations for capital projects from this source, including \$90 million to the Department of Corrections for the design and construction of a new correctional facility; \$120 million to the Department of Law and Public Safety for the design and construction of a State Police Training Center; \$24 million to the South Jersey Port Corporation for the purpose of funding capital projects; and \$137 million for the NJDOT to support the State match required as a condition of receiving federal funds to support various transportation projects. After this deposit and allocations, the unallocated balance in the Debt Defeasance and Prevention Fund was \$2 billion as of June 30, 2023. During Fiscal Year 2024, the State used \$500 million from the Debt Defeasance and Prevention Fund to defease debt, reducing the unallocated balance to \$1.5 billion.

At the end of Fiscal Year 2024, the State Legislature appropriated \$393.5 million from the Debt Defeasance and Prevention Fund to fund various capital projects. These projects include: \$120 million to complete the next phase of the State Police Training Center, \$70 million to support State Park capital projects, \$65 million for improvements and upgrades to the New Jersey State Enterprise Data Center, \$60 million to complete a third Juvenile Justice Commission facility, almost \$39 million in capital projects across State facilities, \$21 million to convert rooms in the State’s Veterans’ Homes from double occupancy to single occupancy, and \$18 million to support the State Police’s Southern Forensics Laboratory.

The Fiscal Year 2025 Appropriation Act includes a transfer of \$585 million from the Debt Defeasance and Prevention Fund to the State’s General Fund. The remaining unallocated balance in the fund is \$522 million.

Pursuant to *L. 2024, c. 18*, amounts in the Debt Defeasance and Prevention Fund may be allocated to the defeasance of State debt as determined by the State Treasurer and may be allocated to capital projects as recommended by the State Treasurer upon the approval of the Joint Budget Oversight Committee.

*State Debt Defeased from Debt Defeasance and Prevention Fund*

During Fiscal Year 2024, the State defeased the following obligations:

**Description and Par Amount of Defeased Obligations**

<b>Bond Issue</b>	<b>Par Amount Defeased</b>
State General Obligation Bonds, Series 2013	\$81,970,000
State General Obligation Bonds, Series 2014	194,775,000
State General Obligation Bonds, Series 2016	101,405,000
NJEDA School Facilities Construction Bonds, 2016 Series AAA	73,900,000
N.J. Building Authority State Building Revenue Refunding Bonds, 2013 Series A	3,875,000
N.J. Building Authority State Building Revenue Refunding Bonds, 2016 Series A	28,250,000

These Fiscal Year 2024 defeasances are included in the amounts shown in the tables entitled “SUMMARY OF LONG-TERM OBLIGATIONS AS OF JUNE 30, 2024” and “ESTIMATED FUTURE DEBT SERVICE ON LONG-TERM OBLIGATIONS AS OF JUNE 30, 2024.” 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 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, 2024, under these programs, the NJEFA has, in aggregate, approximately \$289,705,000 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* and *L. 2024, c. 7* authorizes the issuance of \$15.6 billion in Transportation Program Bonds between Fiscal Year 2017 and Fiscal Year 2029, 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, 2024, the NJEDA had outstanding \$60,850,000 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, 2024.

**SUMMARY OF VARIABLE RATE OBLIGATIONS AS OF JUNE 30, 2024**

<u>Issuer</u>	<u>Series</u>	<u>Type-Reset Period</u>	<u>Amount Outstanding as of 6/30/24</u>	<u>Index Rate (if applicable)</u>	<u>Interest Rate as of 6/30/24</u>	<u>Maturity Date</u>
Economic Development Authority - School Facilities Construction	2013 Series I	FRN-Weekly	\$60,850,000	SIFMA + 1.25%	5.13%	9/01/2025
<b>Total</b>			<b>\$60,850,000</b>			

*Bank Loan Bonds*

The NJEDA and the NJEFA have issued certain series of bonds to finance school facilities construction projects, municipal rehabilitation 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, 2024 is \$707,222,000. Such bonds are included within the Long-Term Obligations tables herein.

The following table provides a summary of the State-supported term loan agreements outstanding as of June 30, 2024.

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## BANK LOAN PORTFOLIO

Lender	Series	Tax Status	Amount Outstanding as of 6/30/24	Fixed Interest Rate*	Maturity Date
<b><u>Economic Development Authority School Facilities Construction Bonds</u></b>					
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
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	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	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	79,935,000	4.390	6/15/2025
Bank of America, N.A.	2020 Series PPP	Taxable	79,655,000	4.900	6/15/2025
<b>Total</b>			<b>\$ 654,082,000</b>		
<b><u>Economic Development Authority Municipal Rehabilitation Bonds</u></b>					
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
<b>Total</b>			<b>\$49,020,000</b>		
<b><u>Educational Facilities Authority Higher Education Capital Improvement Fund Bonds</u></b>					
DNT Asset Trust	Series 2016 A	Tax Exempt	\$4,120,000	3.440%	9/1/2024
<b>Total</b>			<b>\$4,120,000</b>		
<b>Grand Total</b>			<b>\$707,222,000</b>		

\* 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, 2024, 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, 2024 and debt service for Fiscal Year 2025.

	<b>Principal Amount Outstanding</b>	<b>Fiscal Year 2025 Debt Service</b>
South Jersey Port Corporation	\$ 162,760,000	\$ 18,934,904
South Jersey Port Corporation Subordinated	252,110,000	15,630,500
Higher Education Student Assistance Authority	1,433,355,000	181,130,275
	<b>\$1,848,225,000</b>	<b>\$ 215,695,679</b>

### 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 2025. Historically, through this mechanism, the State has paid substantially all of the Port Corporation’s debt service.

<b>Fiscal Year</b>	<b>Amounts Paid for Debt Service</b>	<b>Amounts Paid for Debt Service (Subordinated)</b>
2020	\$17,000,000	\$11,375,275
2021	17,873,000	11,291,000
2022	16,925,000	12,710,000
2023	15,100,000	12,710,000
2024	16,125,000	15,400,000

### 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, 2024” and “ESTIMATED FUTURE DEBT SERVICE ON LONG-TERM OBLIGATIONS AS OF JUNE 30, 2024”.

## **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, 2024, the aggregate amounts of GARVEE Notes and Refunding Notes outstanding are \$1,272,765,000 and \$701,350,000, 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, 2024, the aggregate amounts of municipal and school district Qualified Bonds outstanding are \$942,264,257 and \$14,265,000, respectively.

### **Tobacco Settlement Asset-Backed Bonds**

The State has transferred to the Tobacco Settlement Corporation, established pursuant to *L. 2002, c. 32*, 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 Tobacco Settlement 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, 2024, the Tobacco Settlement Corporation had \$2,453,285,000 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 54,202 full-time Executive Branch employees are paid through the State payroll system. Of the 54,202 employees, approximately 51,295 full time executive branch employees 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 42,242 full time 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 5,197 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 5,468 employees, 6,513 employees, 17,059 employees and 2,432 employees, respectively, for a total of 31,472 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 4,128 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 426 employees (represented by IBEW Local 33) and 1,019 employees (represented by IBEW Local 30), respectively. There are approximately 9,053 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 9,053 State employees come under the binding interest arbitration process. Of the 9,053, approximately 3,190 are in the State Police.

## **Contract Status**

The State has entered into a four-year contract for Fiscal Years 2024-2027 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 14.0% as follows: 3.5% in Fiscal Year 2024 (effective the first full pay period on or after July 1, 2023), 3.5% in Fiscal Year 2025 (effective the first full pay period on or after July 1, 2024), 3.5% in Fiscal Year 2026 (effective the first full pay period on or after July 1, 2025) and 3.5% in Fiscal Year 2027 (effective the first full pay period on or after July 1, 2026). In addition to these 3.5% 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 Fiscal Year 2025 (effective first full pay period on or after July 1, 2024) employees serving in ranges 1-8 will migrate to Range 9. In Fiscal Year 2026 (effective the first full pay period on or after July 1, 2025) there shall be an eleventh step added to each range of the salary schedule.

The State has entered into a four-year contract for Fiscal Years 2024-2027 with the CWA representing four (4) units. The contract provides for across the board salary increases of approximately 14.0% as follows: 3.5% in Fiscal Year 2024 (effective the first full pay period on or after July 1, 2023), 3.5% in Fiscal Year 2025 (effective the first full pay period on or after July 1, 2024), 3.5% in Fiscal Year 2026 (effective the first full pay period on or after July 1, 2025) and 3.5% in Fiscal Year 2027 (effective the first full pay period on or after July 1, 2026). In Fiscal Year 2025 (effective first full pay period on or after July 1, 2024) employees serving in ranges 1-8 will migrate to Range 9. In Fiscal Year 2026 (effective the first full pay period on or after July 1, 2025) there shall be an eleventh step added to each range of the salary schedule.

The State has entered into a four-year contract for Fiscal Years 2024-2027 with AFSCME New Jersey Council 63. The contract provides for across the board salary increases of approximately 14.0% as follows: 3.5% in Fiscal Year 2024 (effective the first full pay period on or after July 1, 2023), 3.5% in Fiscal Year 2025 (effective the first full pay period on or after July 1, 2024), 3.5% in Fiscal Year 2026 (effective the first full pay period on or after July 1, 2025) and 3.5% in Fiscal Year 2027 (effective the first full pay period on or after July 1, 2026). In addition to these 3.5% increases, 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 Fiscal Year 2025 (effective first full pay period on or after July 1, 2024) employees serving in ranges 1-8 will migrate to Range 9. In Fiscal Year 2026 (effective the first full pay period on or after July 1, 2025) there shall be an eleventh step added to each range of the salary schedule.

The State has entered into a four-year contract for Fiscal Years 2024-2027 with the IBEW, Local 33, Deputy Attorneys General (DAsG) unit. The contract provides for across the board salary increases of approximately 14.0% as follows: 3.5% in Fiscal Year 2024 (effective the first full pay period on or after July 1, 2023), 3.5% in Fiscal Year

2025 (effective the first full pay period on or after July 1, 2024), 3.5% in Fiscal Year 2026 (effective the first full pay period on or after July 1, 2025) and 3.5% in Fiscal Year 2027 (effective the first full pay period on or after July 1, 2026). In Fiscal Year 2026 (effective the first full pay period on or after July 1, 2025) there shall be an eleventh step added to range ZR 33 of the salary schedule. The contract provides for a salary cap of \$171,000.

The State has entered into a four-year contract for Fiscal Years 2024-2027 with the IBEW, Local 30, State Government Managers' Unit (SGM Unit). The contract provides for across the board salary increases of 14.0% as follows: 3.5% in Fiscal Year 2024 (effective the first full pay period after July 1, 2023), 3.5% in Fiscal Year 2025 (effective the first full pay period after July 1, 2024), 3.5% in Fiscal Year 2026 effective the first full pay period after July 1, 2025), and 3.5% in fiscal year 2027 (effective the first full pay period after July 1, 2026). The contract provides for a salary cap of \$170,000. In addition to the across the board salary increases described above, the contract provides for a \$2,000 increase to base salary of “&98” (no range) employees effective July 1, 2024. In fiscal year 2026 (effective the first full pay period on or after July 1, 2025) there shall be a new top step added to each range of the applicable salary schedules.

The State entered into a four-year contract for Fiscal Years 2024-2027 with the Policemen's Benevolent Association Local 105 (“PBA 105”). The contract provides for across the board salary increases of approximately 14.0% as follows: 3.5% in Fiscal Year 2024 (effective the first full pay period on or after July 1, 2023), 3.5% in Fiscal Year 2025 (effective the first full pay period on or after July 1, 2024), 3.5% in Fiscal Year 2026 (effective the first full pay period on or after July 1, 2025) and 3.5% in Fiscal Year 2027 (effective the first full pay period on or after July 1, 2026). In Fiscal Year 2025 (effective the first full pay period after July 1, 2024) the employee relations group “LA” salary scale will be eliminated and Senior Correctional Police Officers on the “LA” scale will migrate to the “L” salary scale. In Fiscal Year 2026 (effective the first full pay period on or after July 1, 2025) there shall be an eleventh step added to each range of the salary schedule.

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 and the union filed for interest arbitration in early 2023 for a contract that would commence in Fiscal Year 2020. On June 9, 2023, the arbitrator issued a decision and awarded a four-year contract for Fiscal Years 2020-2023, with percentage increases as follows: 2% effective October 2019; 2% effective July 2021; 2.75% effective December 2021; 2.75% effective July 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 Policemen's Benevolent Association State Law Enforcement Unit (“SLEU”). The contract has expired and negotiations commenced for a successor agreement. The parties did not reach a mutual agreement and the union filed for interest arbitration for a contract that would commence in Fiscal Year 2020. On December 7, 2023, the arbitrator issued a decision and awarded a four-year contract for Fiscal Years 2020-2023, with percentage salary increases as follows: 2% effective October 2019; 2% effective July 2021; 2% effective December 2021; 2% effective July 2022; and 3.75% effective January 2023. 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 2024-2027 with the New Jersey Law Enforcement Supervisors Association (“NJLESA”). The contract provides for across the board salary increases of approximately 14% as follows: 3.5% in Fiscal Year 2024 (effective the first full pay period after July 1, 2023), 3.5% in Fiscal Year 2025 (effective the first full pay period after July 1, 2024), 3.5% in Fiscal Year 2026 (effective the first full pay period after July 1, 2025), and 3.5% in Fiscal Year 2027 (effective the first full pay period after July 1, 2026). The contract also provides for a \$4,500 salary adjustment for all titles, except Parole Lieutenants, effective the first full pay period on or after July 1, 2023, and a new top step for all titles effective the first full pay period after July 1, 2025.

The State entered into a four-year contract for Fiscal Years 2024-2027 with the New Jersey Superior Officers Law Enforcement Association (“NJSOLEA”). The contract provides for across the board salary increases of 14% as follows: 3.5% in Fiscal Year 2024 (effective the first full pay period after July 1, 2023); 3.5% in Fiscal Year 2025 (effective the first full pay period after July 1, 2024); 3.5% in Fiscal Year 2026 (effective the first full pay period after July 1, 2025); and 3.5% in Fiscal Year 2027 (effective the first full pay period after July 1, 2026). The contract also provides for a \$4,500 salary adjustment to the salary schedules of all unit members, except members in the District

Parole Supervisor title, effective first full pay period on or after January 1, 2024. In Fiscal Year 2026 (effective the first full pay period on or after July 1, 2025) there shall be a new step 11 added to each range of the applicable salary schedules.

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, July 1, 2023 2.75% increase and July 1, 2024 2.75% increase.

The State has entered into a four-year contract for Fiscal Year 2024-2027 with the State Troopers Fraternal Associations (“STFA-Troopers”). The contract provides for across the board salary increases of approximately 14.0% as follows: 3.5% in Fiscal Year 2024 (effective the first full pay period on or after July 1, 2023), 3.5% in Fiscal Year 2025 (effective the first full pay period on or after July 1, 2024), 3.5% in Fiscal Year 2026 (effective the first full pay period on or after July 1, 2025) and 3.5% in Fiscal Year 2027 (effective the first full pay period on or after July 1, 2026). In Fiscal Year 2026 (effective the first full pay period on or after July 1, 2025) there shall be a tenth step added to range T-19 of the salary schedule. Maintenance allowance increased in each year of the contract: \$19,056.40 in Fiscal Year 2024, \$19,723.37 in Fiscal Year 2025, \$20,413.69 in Fiscal Year 2026 and \$21,128.17 in Fiscal Year 2027.

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, which is continued in the Fiscal Year 2025 Appropriations Act;
- 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.

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, 2023 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, 2023.

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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, 2025 through June 30, 2054  
(In Millions)**

<b>Fiscal Year Ending (June 30)</b>	<b>Beginning Value of Net Assets<sup>(1)</sup></b>	<b>Member Contributions<sup>(2)</sup></b>	<b>State Contributions<sup>(3)(4)</sup></b>	<b>Lottery Net Proceeds<sup>(5)</sup></b>	<b>Investment Earnings<sup>(6)</sup></b>	<b>Benefit Payments<sup>(7)</sup></b>	<b>Ending Value of Net Assets</b>
2025	\$41,735	\$1,414	\$5,737	\$1,126	\$2,882	\$7,980	\$44,914
2026	44,914	1,449	5,822	1,135	3,102	8,166	48,256
2027	48,256	1,484	5,878	1,147	3,332	8,364	51,732
2028	51,732	1,520	5,923	1,157	3,572	8,563	55,340
2029	55,340	1,557	5,963	1,168	3,820	8,763	59,084
2030	59,084	1,594	5,997	1,190	4,078	8,970	62,973
2031	62,973	1,631	6,016	1,202	4,345	9,189	66,977
2032	66,977	1,669	6,011	1,214	4,619	9,410	71,081
2033	71,081	1,708	6,006	1,226	4,900	9,632	75,289
2034	75,289	1,748	5,997	1,238	5,189	9,857	79,605
2035	79,605	1,789	5,983	1,251	5,484	10,084	84,029
2036	84,029	1,832	5,970	1,263	5,788	10,300	88,583
2037	88,583	1,876	5,960	1,276	6,101	10,508	93,288
2038	93,288	1,922	5,950	1,289	6,426	10,707	98,168
2039	98,168	1,970	5,943	1,302	6,763	10,896	103,250
2040	103,250	2,020	5,938	1,315	7,114	11,072	108,565
2041	108,565	2,072	5,937	1,328	7,483	11,230	114,156
2042	114,156	2,126	5,942	1,341	7,872	11,376	120,060
2043	120,060	2,180	5,951	1,355	8,283	11,526	126,303
2044	126,303	2,235	5,962	1,368	8,717	11,681	132,904
2045	132,904	2,291	5,973	1,382	9,176	11,849	139,877
2046	139,877	2,349	5,986	1,396	9,661	12,019	147,249
2047	147,249	2,408	6,000	1,410	10,174	12,200	155,041
2048	155,041	2,469	6,887	0	10,689	12,392	162,694
2049	162,694	2,532	6,905	0	11,221	12,586	170,767
2050	170,767	2,598	5,993	0	11,757	12,792	178,323
2051	178,323	2,666	2,240	0	12,184	12,997	182,417
2052	182,417	2,737	1,828	0	12,456	13,207	186,231
2053	186,231	2,810	1,839	0	12,718	13,432	190,166
2054	190,166	2,885	1,871	0	12,989	13,663	194,247

Numbers may not add up due to rounding.

- (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.
- (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 2025, the contributions reflect the State's contributions set forth in the Fiscal Year 2025 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 \$301 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.
- (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 of Pensions and Benefit'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 most recent revaluation was completed as of December 31, 2021. See "Lottery Enterprise Contribution Act—Lottery Enterprise – Valuation" below.

(footnotes continue on next page)

- (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.

## **State’s Pension Plan Funding Policy**

### *Historical Funding Policy*

The level of the State’s annual contributions has significantly varied since Fiscal Year 1997. Starting in Fiscal Year 1997, the State began contributing minimal contributions, even nothing in some years, to the Pension Plans. In the mid-2000’s the State attempted to phase back in contributions but then was unable to do so and returned to minimal contributions for several years. Starting in the mid-2010’s, and especially after the adoption of LECA, the State phased back in its contributions for several years until it reached the full actuarially recommended contribution. Since Fiscal Year 2022, the State has contributed more than the full 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, 2016 through June 30, 2024, and the proposed annual contribution for Fiscal Year ending June 30, 2025, 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, 2016 through June 30, 2025<sup>(1)</sup>**  
**(In Millions)**

<u>Fiscal Year Ending June 30,</u>	<u>Actuarial Recommended Contributions</u>	<u>Actual Contributions</u>	<u>Percentage<sup>(2)</sup></u>
<b>State</b>			
2016.....	\$4,353.5	\$1,307.1	30%
2017.....	4,663.1	1,861.6	40
2018 <sup>(3)</sup> .....	5,017.9	2,484.1	50 <sup>(4)</sup>
2019.....	5,352.2	3,280.9	60 <sup>(5)</sup>
2020.....	5,438.7	3,751.6	70 <sup>(6)</sup>
2021.....	6,109.7	4,787.4	78 <sup>(7)</sup>
2022.....	6,387.8	6,908.0	108 <sup>(8)</sup>
2023.....	6,586.4	6,889.3	104 <sup>(9)</sup>
2024.....	6,842.6	7,086.9	104 <sup>(10)</sup>
2025.....	6,907.8	7,162.1	104 <sup>(11)</sup>

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, 2014 through July 1, 2023. Information regarding the actual contributions of the State for Fiscal Years 2016 through 2025 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) The actual contribution consists of the State’s contribution of \$1.508 billion and Lottery Net Proceeds of \$976 million.
- (4) 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.
- (5) 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%.
- (6) 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%.
- (7) For Fiscal Year 2021, the State expects the overall funded percentage to be slightly above 78%.
- (8) 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%.
- (9) For Fiscal Year 2023, the State made pension contributions of \$5.719 billion. This, when combined with Lottery Net Proceeds of \$1.173 billion, brings the overall pension contribution to 104% of the actuarially recommended contribution.
- (10) The State made pension contributions of \$5.971 billion in Fiscal Year 2024. After taking into account Lottery Net Proceeds of \$1.154 billion, the State expects the overall contribution to be higher than 103.6% of the actuarially recommended contribution.
- (11) The Fiscal Year 2025 Appropriations Act appropriates \$6.036 billion for pension contributions. After taking into account projected Lottery Net Proceeds for Fiscal Year 2025 of \$1.126 billion, the State expects that the overall contribution for Fiscal Year 2025 will be 103.7% of the actuarially recommended 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, 2023, the Pension Plans and their active and retired membership are as follows:

<u>Plan</u>	<u>Membership at June 30, 2023</u>	
	<u>Active</u>	<u>Retired</u>
Public Employees' Retirement System ("PERS")	244,324	194,561
Teachers' Pension and Annuity Fund ("TPAF")	160,275	113,207
Police and Firemen's Retirement System ("PFRS")	41,451	50,175
State Police Retirement System ("SPRS")	3,218	3,671
Judicial Retirement System ("JRS")	399	700
Consolidated Police and Firemen's Pension Fund ("CP&FPF")		19
Prison Officers' Pension Fund ("POPF")		36
<b>Total</b>	<b>449,667</b>	<b>362,369</b>

From June 30, 2022 to June 30, 2023, the total number of active members of all of the State-administered plans increased by 5,091, or 1.15%, and the total number of retired members increased by 5,756, or 1.61%.

### *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, 2023, 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 and 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 has certain investment authority, and has 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, 2023, the State's portion of the market value of assets in the Pension Plans is \$45.2 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 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, 2023, the Lottery Enterprise was valued at \$12.381 billion. If the value of the Lottery Enterprise was excluded, the funded ratio of the Pension Plans as of June 30, 2023 would have been 41.5% instead of 52.4%. 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 studies use 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. The most recent Experience Studies, which studied the period from 2018 to 2021, were completed in November of 2022. The resulting salary growth, mortality and demographic assumptions were reflected in the July 1, 2022 actuarial valuation reports. There have been no changes in assumptions since the July 1, 2022 valuation. Work on the next experience study that will study the period from July 1, 2021 through June 30, 2024, will commence in the summer of 2025.

The actual rate of return on the investment of Pension Plan assets impacts the value of Pension Plan assets which, in turn, impacts the amount of the UAAL. Actual investment returns for any given fiscal year can vary widely. Investment returns were 9.1%, (7.9)%, and 28.63%, for Fiscal Years 2023, 2022, and 2021, respectively. The Treasurer sets the assumed rate of return. That rate was lowered from 7.5% to 7.3% for the June 30, 2019 actuarial valuation. It was further lowered to 7% for the June 30, 2021, and subsequent, actuarial valuations.

#### *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 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. Each year, the AVA method smooths investment gains and losses for that year to reduce volatility by recognizing only 20% of the difference between the market value of assets that year and the expected AVA that year (this recognition is done on a preliminary basis and before giving effect to various adjustments). 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, 2023, 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 \$45.2 billion, as compared to the State's portion of the aggregate actuarial value of all assets of the Pension Plans, which was \$47.5 billion. A portion of the difference between these two asset amounts represents the impact of this smoothing method. This smoothing not only affects asset valuations, it also effects the UAAL, funded ratios and contributions, all numbers computed using the AVA.

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 was 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 began to 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 for the year ended as of July 1, 2014 through the year ended as of July 1, 2023.

**HISTORICAL STATUTORY FUNDING STATUS  
AGGREGATE PENSION FUND ACTUARIAL LIABILITIES AND ASSETS<sup>(1)</sup>  
Actuarial Valuations as of July 1, 2014 through July 1, 2023  
(In Millions)**

Valuation Year Ending June 30,	Actuarial Value of Assets <sup>(2)</sup>	Actuarial Accrued Liability <sup>(2)</sup>	Unfunded Actuarial Accrued Liability (UAAL) <sup>(2)</sup>	Funded Ratio	Market Value of Assets <sup>(3)</sup>
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 <sup>(4)</sup>	39,731.6	88,800.3	49,068.7	44.7	34,698.9
2016 Rev <sup>(5)</sup>	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 <sup>(6)</sup>	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
2023	59,834.8	114,265.6	54,430.8	52.4	57,591.3

Source: New Jersey Department of the Treasury, Division of Pensions and Benefits. Information was derived from the actuarial valuation reports as of July 1, 2014 through July 1, 2023 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) Information was derived from the original actuarial valuation reports as of July 1, 2016 and excludes the value of the Lottery Contribution.
- (5) 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.
- (6) 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%.

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*Prospective Statutory Funding Status*

The following table sets forth the prospective statutory funding status of the Pension Plans for the year ending June 30, 2024 through the year ending June 30, 2052. 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. The following table assumes that the State continues to make its contributions to the Pension Plan in accordance with its current funding policy, and calculations and contributions related to the Lottery Enterprise remain as set forth in the LECA. 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, 2023.

**PROSPECTIVE STATUTORY FUNDING STATUS  
AGGREGATE PENSION FUND ACTUARIAL LIABILITIES AND ASSETS<sup>(1)</sup>  
For the Valuation Year Ending June 30, 2024 through June 30, 2052  
(In Millions)**

Valuation Year Ending June 30	Actuarial Value of Assets (AVA) <sup>(2)(3)</sup>	Actuarial Accrued Liability (AAL) <sup>(2)(3)</sup>	Unfunded Actuarial Accrued Liability (UAAL) <sup>(2)</sup>	AVA Statutory Funded Ratio <sup>(2)</sup>
2024	\$62,494.3	\$116,596.2	\$54,101.9	53.6 %
2025	65,330.2	118,967.0	53,636.9	54.9
2026	68,324.9	121,368.2	53,043.3	56.3
2027	71,460.3	123,788.9	52,328.6	57.7
2028	74,733.0	126,226.6	51,493.6	59.2
2029	78,140.7	128,681.4	50,540.7	60.7
2030	81,666.3	131,146.4	49,480.0	62.3
2031	85,279.3	133,605.4	48,326.1	63.8
2032	88,979.4	136,055.3	47,075.8	65.4
2033	92,768.4	138,494.6	45,726.3	67.0
2034	96,641.1	140,918.0	44,277.0	68.6
2035	100,601.8	143,321.4	42,719.6	70.2
2036	104,669.4	145,718.0	41,048.7	71.8
2037	108,861.3	148,120.9	39,259.5	73.5
2038	113,197.2	150,543.4	37,346.2	75.2
2039	117,702.7	153,003.5	35,300.8	76.9
2040	122,406.6	155,523.1	33,116.5	78.7
2041	127,349.7	158,133.7	30,784.0	80.5
2042	132,565.3	160,860.2	28,294.9	82.4
2043	138,072.4	163,712.0	25,639.6	84.3
2044	143,887.1	166,693.3	22,806.2	86.3
2045	150,018.7	169,802.3	19,783.6	88.3
2046	156,490.1	173,049.4	16,559.3	90.4
2047	164,105.4	176,435.8	12,330.4	93.0
2048	172,152.9	179,962.7	7,809.7	95.7
2049	179,763.0	183,634.4	3,871.4	97.9
2050	184,158.6	187,441.6	3,283.0	98.2
2051	188,315.0	191,395.2	3,080.1	98.4
2052	192,614.4	195,500.0	2,885.6	98.5

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

<sup>(1)</sup> 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 2024 and all future Fiscal Years. Projections exclude estimates for the CP&FPF and the POPF.

<sup>(2)</sup> For a description of these terms, see “—Actuarial Valuations and Actuarial Funded Status of Pension Plans” above.  
(footnotes continue on next page)

<sup>(3)</sup> Actuarial value of assets includes the value of the Lottery Contribution. The amounts shown in this chart are based on projected Fiscal Year 2024 Net Lottery Proceeds of \$1.114 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. In the most recent GASB 67 report, as of June 30, 2023, 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, 2023 use information from the actuarial valuations of the Pension Plans as of June 30, 2022 subject to these adjustments.

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The results, summarized for the GASB 67 Reports as of June 30, 2023 are shown in the following chart:

**GASB STATEMENT NO. 67 DISCLOSURE**  
**Net Pension Liability Plan Fiduciary Net Position<sup>(1)</sup>**  
**Based on Actuarial Valuations as of July 1, 2023**  
**(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 <sup>(2)</sup>	\$34,831.7	\$ 71,896.2	\$ 37,064.5	48.45%
TPAF	27,130.2	78,240.1	51,110.0	34.68
PFRS <sup>(3)</sup>	32,567.2	50,075.8	17,508.6	65.04
CP&FPF	2.2	1.5	(.7)	143.92
SPRS	2,108.7	4,373.1	2,264.5	48.22
JRS	212.6	923.5	710.8	23.03
POPF	4.7	2.4	(2.2)	191.16
Total	<u>\$96,857.2</u>	<u>\$205,512.7</u>	<u>\$108,655.5</u>	<u>47.13%</u>

<sup>(1)</sup> Based on Market Value as of June 30, 2023. Does not take into consideration the contribution of the Lottery Enterprise.

<sup>(2)</sup> Of the total Net Pension Liability of \$37,064.5 million for PERS, \$22,458.0 million is the estimated State portion and \$14,606.5 million is the estimated local portion.

<sup>(3)</sup> Of the total Net Pension Liability of \$17,508.6 million for PFRS, \$4,423.9 million is the estimated State portion and \$13,084.7 million is the estimated local portion.

Informational copies of the July 1, 2023 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>. 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 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, 2024, each participating employer must recognize their share of the total net pension liability of \$108,655.5 million determined as of the measurement date of June 30, 2023. The State's share of the collective net pension liability as of June 30, 2023 has been determined to be \$79,421.1 million. This amount will be recorded as a liability on the State's financial statements for the fiscal year ending June 30, 2024.

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The following chart summarizes the allocation of the net pension liability of \$108,655.5 million as of July 1, 2023, as determined under GASB 68:

**GASB STATEMENT NO. 68 DISCLOSURE**  
**Allocation of Fiscal Year 2024 Net Pension Liability (NPL) per GASB 68<sup>(1)</sup>**  
**(In Millions)**

<b>Pension Plan</b>	<b>State</b>	<b>State Non-Employer<sup>(2)</sup></b>	<b>Total State</b>	<b>State Colleges &amp; Universities</b>	<b>Locals</b>	<b>Plan Net Pension Liability</b>
PERS	\$18,947.9	\$ 122.1	\$19,070.0	\$3,510.2	\$14,484.4	\$ 37,064.5
TPAF	77.3	51,032.7	51,110.0	-	-	51,110.0
PFRS	4,220.3	2,048.4	6,268.7	191.1	11,048.8	17,508.6
CP&FPF	(0.7)	-	(0.7)	-	-	(0.7)
SPRS	2,264.5	-	2,264.5	-	-	2,264.5
JRS	710.8	-	710.8	-	-	710.8
POPF	(2.2)	-	(2.2)	-	-	(2.2)
<b>Total</b>	<b>\$26,217.9</b>	<b>\$53,203.2</b>	<b>\$79,421.1</b>	<b>\$3,701.2</b>	<b>\$25,533.2</b>	<b>\$108,655.5</b>

<sup>(1)</sup> Audited.

<sup>(2)</sup> The TPAF and a portion of the local government component of PFRS represent special funding situations because the State is legally responsible for making contributions directly to these plans that are 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 \$3,701.2 million as of June 30, 2023, 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 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 2024, the State paid PRM benefits for 161,268 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 spent \$2,149.1 million for PRM costs in Fiscal Year 2023, which is a 12.7% increase over Fiscal Year 2022. The Fiscal Year

2024 Appropriations Act appropriated \$2,339.4 million for PRM, an 8.9% increase over Fiscal Year 2023 PRM expenditures.

**AGGREGATE STATE CONTRIBUTIONS FOR OPEB**  
**For the Fiscal Years Ending June 30, 2016 through June 30, 2025**

<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 <sup>(1)</sup>	1,577.8	(330.1)	(17.3)%
2021 <sup>(2)</sup>	1,790.1	212.3	13.5%
2022	1,907.6	117.5	6.6%
2023	2,149.1	242.1	12.7%
2024 <sup>(3)</sup>	2,339.4	190.3	8.9%
2025 <sup>(4)</sup>	2,395.0	55.6	2.3%

- (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) The Fiscal Year 2024 Appropriations Act included \$2,339.4 million in appropriations for projected PRM costs.  
(4) The Fiscal Year 2025 Appropriations Act includes \$2,395.0 million in appropriations for projected 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 \$88.8 billion to \$74.9 billion between June 30, 2022 and June 30, 2023. The decrease in the State’s OPEB liabilities is primarily attributable to a change in the municipal bond rate that is used to discount liabilities. The rate increased from 2.16% as of June 30, 2021 to 3.54% as of June 30, 2022.

The results of the June 30, 2023 GASB actuarial valuations are summarized in the table below:

**GASB Statement No. 75 Accounting Disclosures  
Based on Measurement Date of June 30, 2022  
For the Fiscal Year Ending June 30, 2023  
(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	\$ 9,319.8	\$ 18,276.1	\$ 7,509.1	\$35,105.00
(b) Active Participants	11,567.8	32,370.4	8,581.9	52,520.10
(c) Total	20,887.6	50,646.5	16,091.0	87,625.10
Plan Fiduciary Net Position			(58.6)	(58.6)
Net OPEB Liability	\$20,887.6	\$ 50,646.5	\$16,149.6	\$ 87,683.7

**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	\$ 15,325.4	\$ 5,562.2	\$ 20,887.6		\$ 20,887.6
Education		50,646.5	50,646.5		50,646.5
Local Govt		3,373.8	3,373.8	\$ 12,775.8	16,149.6
Total	\$ 15,325.4	\$ 59,582.5	\$ 74,907.9	\$ 12,775.8	\$ 87,683.7

\* 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.

The State OPEB liability is based on plan provisions, as provided by the State, along with certain demographic and economic assumptions recommended by the State's health benefits actuarial consultant and approved by the State, which conform to the requirements of GASB 74 and 75. The entry age normal Actuarial Method is used 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 3.54%, 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, it is assumed that pre-age 65 PPO/HMO medical benefits would increase at a rate of 6.25% in Fiscal Year 2022 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 14.35% and 13.44% for PPO premiums of State and education retirees, respectively; and 15.47% and 15.19% 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, and it is assumed that prescription drug benefits would increase at a rate of 8.00% for current and future retirees in Fiscal Year 2022 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.

Anticipated federal policy changes and external factors beyond the State's control may alter the assumptions of the underlying projected State OPEB liabilities. Specifically, the implementation of the Inflation Reduction Act and procedural changes within the Centers for Medicare & Medicaid Services ("CMS"). These federal policy revisions are expected to impact the Medicare Advantage Plan and Medicare Part D Employer Group Waiver Plan ("EGWP")



benefits offered by the SHBP and SEHBP for retirees over the age of 65. The unidentified impacts of these changes make it difficult to quantify the cost implications for the State in Fiscal Year 2025.

CMS announced its plans to make changes to methodologies that impacts payments to Medicare Advantage plans beginning with Plan Year 2024 through Plan Year 2026. These changes are expected to reduce future revenues available to plans. The SHBP/SEHBP premiums for Medicare Advantage that have been negotiated for Plan Year 2024 will not change based on the CMS announcement. There was no impact on the post-retirement medical costs paid during Fiscal Year 2024.

Post-retirement medical benefits funded from annual State appropriations reflect payments from CMS for prescription drug benefits offered to Medicare-eligible retirees. The Inflation Reduction Act will impact Medicare Part D plans sponsored by employers, such as the EGWP offered by the SHBP and SEHBP. The Inflation Reduction Act changes the revenue streams available to Medicare Part D plans. The Inflation Reduction Act restructures the federal reinsurance payments to plans, resulting in an expected reduction to plan revenue. The Inflation Reduction Act also eliminates prescription drug manufacturers' coverage gap discount payments currently received by the SHBP and SEHBP beginning in Plan Year 2025. Those payments will be replaced with a new manufacturer discount program. These changes could be offset by modifications in Direct Subsidy payments that are expected to increase EGWP revenue beginning in Plan Year 2024 and further increase in Plan Year 2025. It is not yet known what the net cost impact these changes could have on the recommended appropriations for prescription drug costs for Fiscal Year 2025.

Based on current assessment, the impact of the Inflation Reduction Act (IRA) on annual State Appropriations for Fiscal Year 2025 remains unchanged. The State will continue to monitor annual changes and future CMS announcements to assess the impact on post-retirement costs funded by appropriations from the State's annual Appropriations Act.

## 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.

### *Chapter 120 Claims for Injuries Resulting from Sexual Abuse*

Under *L. 2019, c. 120* ("Chapter 120"), the New Jersey Tort Claims Act was amended to revise the statute of limitations for and remove the procedural temporal bar for bringing claims of injury due to sexual abuse by minor victims and adult victims of sexual abuse against public entities, including the State and its departments and agencies. In addition, Chapter 120 included a two-year grace period for any plaintiff to bring a claim for injury due to sexual abuse.

Since the enactment of Chapter 120, numerous cases have been filed by plaintiffs for alleged abused suffered from the 1960s through the present day. Some of the cases allege that plaintiffs were abused by State employees (i.e., while plaintiffs were housed in State-run residential centers). Many of these lawsuits are against the Department of Children and Families ("DCF") and/or DCF's Division of Child Protection and Permanency ("DCPP"), filed by plaintiffs alleging that, when they were minors, they were abused by non-employee third parties and that the State is liable for failing to prevent the abuse; failing to investigate or act on complaints of abuse; or placing children in homes where abuse occurred. Cases also have been filed by plaintiffs alleging that, as juveniles, they were abused by employees of the Juvenile Justice Commission when they were residents of the New Jersey State Training School between the 1980s and 2010s.

The State's experience thus far has been that the State's liability under Chapter 120 cases is unusually difficult to assess due to the dated nature of many of the claims, the potential unavailability of individuals alleged to have engaged in claimed abuse, and the emotionally charged nature of Chapter 120 claims. The State currently expects to have financial exposure under several Chapter 120 claims over the next few Fiscal Years but currently is unable to estimate its exposure for these Chapter 120 claims. The State is vigorously defending these matters.

### *AT&T Services, Inc. v. Director, Division of Taxation*

On March 18, 2024, AT&T Services, Inc. (“AT&T”) filed a complaint in the New Jersey Tax Court contesting a December 20, 2023 final determination by the Division of Taxation denying AT&T’s CBT refund claim for research and development (“R&D”) carryforward credits from tax years 2011 through 2017. AT&T amended its New Jersey CBT return for tax year 2018 claiming R&D carryforward credits for 2011 through 2018. AT&T alleges that it is entitled to the R&D credits because it already claimed the credits on federal tax returns filed with the Internal Revenue Service for the tax years in question. The Division denied the R&D carryforward credits for tax years 2011 through 2017 because the taxpayer is not permitted to amend a return to claim R&D carryforward credits for tax years that are closed due to the statute of limitations. The Division accepted the R&D carryforward credit for tax year 2018, which was timely claimed within the statute of limitations. The Division filed its answer to the complaint on May 17, 2024. 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 (“H<sub>2</sub>S”) 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 H<sub>2</sub>S 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 H<sub>2</sub>S. DEP continues to occupy a portion of the property in order to operate the H<sub>2</sub>S 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 H<sub>2</sub>S emissions. The parties agreed to a discovery extension to July 31, 2024. Trial is currently scheduled for October 31, 2024. 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.

*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. 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. On August 22, 2022, the Appellate Division granted the New Jersey Business and Industry Association’s motion to appear as *amicus curiae* in support of Plaintiff. On October 12, 2023, the Appellate Division affirmed the Tax Court’s decisions and orders dismissing all the counts of Cargill’s complaint. On October 19, 2023, Cargill filed a notice of petition for certification with the New Jersey Supreme Court. On February 12, 2024, the State filed its opposition to the petition for certification. On May 7, 2024, the New Jersey Supreme Court denied Cargill’s petition for certification.

*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 DCPD 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. The State Defendants filed a motion for summary judgment, which was granted on April 24, 2023. The Appellate Division granted Plaintiff’s request to file a motion for leave to appeal by May 29, 2023. The State opposed that motion, and the Appellate Division denied that motion on July 13, 2023. Plaintiff settled with co-defendants, and subsequently filed a direct appeal to the Appellate Division of the grant of summary judgment to the State Defendants. The State filed its opposition brief on March 4, 2024. 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 (“DOBI”) 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. On May 31, 2023, the Appellate Division affirmed the DOBI Order. On June 19, 2023, the Appellants filed a notice of petition for certification with the New Jersey Supreme Court. On July 31, 2023, DOBI filed its opposition to the petition for certification. On May 7, 2024, the New Jersey Supreme Court denied the Appellants’ petition for certification.

*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 ALJs 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. Plaintiffs filed a motion for summary judgment on March 31, 2023, which was subsequently denied. Discovery is currently ongoing. 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. On June 15, 2023, the trial court granted the State Defendants' motion for summary judgement and denied Plaintiffs' motion for summary judgement. The Plaintiffs filed a notice of appeal on July 28, 2023. The State filed its brief in opposition on March 21, 2024. The State is vigorously defending this matter.

*Bd. of Educ. of the Toms River Reg'l Sch. Dist., et al. v. State of New Jersey, et al.*

On September 30, 2024, the Toms River Board of Education and several of its students ("Plaintiffs") filed a complaint in the Ocean County Superior Court (Chancery Division) against the State, the Department of Education, and Kevin Dehmer, in his official capacity as the Acting Commissioner of Education (collectively, the "State Defendants") alleging that the School Funding Reform Act, *N.J.S.A.* 18A:7F-43 to -71 (the "SFRA"), as applied to Toms River, violates 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. Plaintiffs allege that the reductions in State aid to Toms River under the SFRA will jeopardize the District's ability to provide the level of funding necessary to meet the constitutional standard of a "thorough and efficient education."

Among other things, Plaintiffs seek the following relief: (1) a declaration that the SFRA is unconstitutional as applied to Toms River; (2) an order requiring the State to provide the resources required to provide the District's students "with [a]dequacy of programs and funding"; (3) an order requiring the State to "undertake a thorough and rigorous review of the deficiencies in the SFRA formula as applied to Toms River" "on an expedited basis"; (4) an order requiring the State to immediately remedy the deficiencies in Toms River's 2024-2025 budget "imposed by the Interim Executive County Superintendent"; and (5) attorneys' fees and costs. 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 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. On June 12, 2023, the Tax Court requested additional supplemental briefing from both parties. Lorillard filed its brief on August 15, 2023, and the Division filed its brief on August 17, 2023. On September 13, 2023, the Tax Court issued an opinion dismissing Lorillard’s complaints. The Tax Court found that the Division’s regulation at issue violated external consistency of the Dormant Commerce Clause, but the 2020 amendment to the regulation cured the defect and applied retroactively to the tax years at issue. On October 27, 2023, Lorillard filed a notice of appeal with the Appellate Division. Lorillard filed its brief on March 14, 2024. The Division filed its brief on June 17, 2024, and its amended brief on June 18, 2024. Lorillard filed its reply brief on July 1, 2024. 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”). 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.

Plaintiff's first amended complaint 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. On May 12, 2023, the State filed a motion for summary judgment. On December 18, 2023, the court granted summary judgment in favor of the State on Plaintiff's Due Process Clause claim and dismissed Plaintiff's Takings Clause claim for lack of subject matter jurisdiction. Plaintiff was granted leave to amend the complaint, and on January 17, 2024, Plaintiff filed a second amended complaint. On February 23, 2024, the State filed a motion to strike the second amended complaint. On August 12, 2024, the court granted the State's motion to strike count 1 of the second amended complaint and dismissed count 2 of the second amended complaint for lack of subject matter jurisdiction, without leave for the Plaintiff to amend their complaint. The State is vigorously defending this matter.

*Sirius XM Radio Inc. v. Director, Division of Taxation*

On July 7, 2023, Sirius XM Radio Inc. ("Sirius") filed a complaint in the New Jersey Tax Court contesting a final determination by the Division of Taxation that denied Sirius's CBT refund claims for tax years 2015 and 2016. Sirius amended its CBT returns for tax years 2015 and 2016 claiming R&D credit for Sirius's activities in the field of electronic device technology during tax years 2003 through 2007. Sirius alleges that it is entitled to CBT credit as a result of R&D activities in New Jersey and that the credit can be carried forward for a period of 15 years pursuant to N.J.S.A. 54:10A-5.24b(a). The Division denied the CBT refund request because a taxpayer is not permitted to amend a return to claim credits for carryforward periods that are closed tax years due to the statute of limitations. The Division filed its answer to the complaint on November 2, 2023. The State is vigorously defending this matter.

*Shannon MacDonald, M.D., et al. v. Otto F. Sabando, in his official capacity as President of the New Jersey State Board of Medical Examiners*

On December 13, 2023, plaintiffs Shannon MacDonald, M.D., a physician residing in Massachusetts, Paul Gardner, M.D., a physician residing in Pennsylvania, J.A., a minor and resident of Essex County, New Jersey, by and through his guardian and next friend Michael Abell, Michael Abell, a resident of Essex County, New Jersey, and Hank Jennings, a resident of Bergen County, New Jersey, filed a complaint in the United States District Court for the District of New Jersey seeking declaratory and injunctive relief against the President of the New Jersey State Board of Medical Examiners. Plaintiffs challenge the constitutionality of a portion of the State's telemedicine and telehealth licensure statute, specifically N.J.S.A. 45:1-62(b). Plaintiffs allege that the statutory requirement that any health care provider who uses telemedicine or engages in telehealth while providing health care services to a patient be licensed as a health care provider in the State violates the Dormant Commerce Clause, Privileges and Immunities Clause, and First Amendment of the United States Constitution, and, as to plaintiff Michael Abell, violates the Due Process Clause of the United States Constitution and his asserted right to direct his child's medical care. 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 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 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. Sixteen audits, which in the aggregate total over \$900 million, 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 Alcoholic 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 Casino Control 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**

A Cigarette Tax is imposed on the sale, use or possession of all cigarettes within New Jersey. *L.* 1948, *c.* 65. 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 Tobacco Products Wholesale Sales and Use Tax 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 on CBT taxpayers except a public utility, that have allocated taxable net income in excess of \$1 million, with a phase-down over four tax years, including: 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.* 48. Thereafter, the surtax was retroactively imposed at 2.5% from January 1, 2020 through December 31, 2023. *L.* 2020, *c.* 95. The Fiscal Year 2024 Appropriations Act contemplated that this 2.5% surtax would no longer be in effect after December 31, 2023. This surtax expired on December 31, 2023.

*L.* 2024, *c.* 20, imposes a 2.5% Corporate Transit Fee for privilege periods beginning on and after January 1, 2024 through December 31, 2028, on CBT taxpayers with annual taxable net income over \$10 million. The Corporate Transit Fee is a surtax in addition to the annual CBT liability. Tax credits cannot be used against the Corporate Transit Fee.

*L.* 2023, *c.* 96 made various changes to combined reporting, particularly with respect to: certain statutory provisions concerning unitary businesses; the method for calculating the allocation factor of a taxable member of a combined group; the managerial member duration period; the definition of world-wide basis and world-wide group; water’s-edge groups and affiliated groups, including the calculation of entire net income for non-U.S. corporations that are members of a water’s-edge group or affiliated group; the “captive” versions of investment companies, real estate investment trusts, and regulated investment companies.



*L. 2023, c. 96* also modifies the treatment of global intangible low-taxed income (“GILTI”) and foreign-derived intangible income (“FDII”) under the Corporate Business Tax Act (1945) (“CBT Act”), by repealing the deduction currently allowed for GILTI and FDII, and by treating GILTI as a dividend, subject to the dividend exclusion rules for privilege periods ending on and after July 31, 2023. *L. 2023, c. 96* adds language clarifying the treatment of the income of non-U.S. corporations that are not members of a world-wide group or a water’s-edge group for purposes of the CBT Act.

*L. 2023, c. 96* modifies certain statutory requirements concerning installment payments and changes certain provisions concerning the underpayment of an installment payment. It also changes the due date for filing a return under the CBT Act to: (1) the fifteenth day of the month immediately following the month of the original due date for filing the taxpayer’s federal corporate income tax return for the privilege period; or (2) in the case of a taxpayer that received a filing extension for federal tax purposes, the fifteenth day of the month immediately following the month of the extended due date for filing the federal return. *L. 2023, c. 96* also provides certain criteria for determining whether a corporation has “substantial nexus” with the State and will therefore be subject to taxation.

*L. 2023, c. 96* provides that with respect to its fiscal or calendar accounting years ending on or after July 31, 2023, any taxpayer with a tax liability of less than \$1,500 shall not be required to make any installment payments other than an installment payment of 50 percent, which shall be paid at the time of filing the annual return. For a combined group, this provision shall apply by taxable member in aggregate for the combined group.

*L. 2023, c. 96* provides that for privilege periods ending on and after July 31, 2022, adjustments may be made, by the director or the taxpayer, to net operating losses (“NOL”) in privilege periods closed for purposes of the statute of limitations on assessments in order to determine the correct tax liability in privilege periods that remain open to assessment; provided, however, no such NOL adjustments for those closed privilege periods shall be made after ten years.

*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 CBT or Gross Income Tax (“GIT”) 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 UTHTCA 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 UTHTCA, for the same period of time. *L. 2022, c. 134*. *L. 2012, c. 35*, amends the UTHTCA 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 UTHTCA 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 New Jersey Angel Investor Tax Credit 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 UHTCA 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 as a visitors 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 (“BRRAA”). The overall cap was \$20 million per year. The program was eliminated by *L. 2013, c. 161*. The BRRAA program is now closed to new applications. NJEDA approved \$124 million of BRRAA 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 New Jersey 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 New Jersey Economic Recovery Act of 2020 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 and utilized by the buyer of the tax credit.

The Garden State Film and Digital Media Jobs Act, provides tax credits for qualified film production expenses and qualified digital media content production expenses, against the CBT and the New Jersey Gross Income

Tax (GIT). *L. 2018, c. 56.* An application for the tax credits must be submitted to and approved by the NJEDA in order for a taxpayer to receive the credits. *L. 2018, c. 56.*

For qualified film production expenses, a tax credit of 40% of the expenses incurred by a taxpayer that is a New Jersey studio partner or a New Jersey film-lease production company is allowed, and a tax credit of 35% of qualified film production expenses, incurred by a taxpayer other than a New Jersey studio partner or a New Jersey film-lease production company is allowed, during tax years beginning on or after July 1, 2018, but before July 1, 2039. *L. 2023, c. 97.* The tax credits allowed are subject to certain requirements and restrictions, and may be transferred by the taxpayer in certain circumstances. *L. 2018, c. 56, L. 2020, c. 156.* When qualified film production expenses are incurred for use at a sound stage or other location in New Jersey within a 30-mile radius of certain locations within Manhattan, New York City, a tax credit of 35% is allowed in the case of a taxpayer designated as a New Jersey studio partner or a New Jersey film-lease production company, and a tax credit of 30% is allowed when the taxpayer is not a New Jersey studio partner or a New Jersey film-lease production company. *L. 2018, c. 56, L. 2023, c. 97.*

For qualified digital media content production expenses, a tax credit of 30% of expenses incurred in New Jersey for the production of digital media content is allowed. *L. 2018, c. 56, L. 2023, c. 97.* In addition, a tax credit of 35% of qualified digital media content production expenses incurred by a taxpayer through New Jersey qualified vendors whose primary place of business is located in Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Mercer, or Salem County is allowed, and may be utilized during the same privilege periods. *L. 2018, c. 56, L. 2023, c. 97.* The tax credit is 40% of qualified digital media content production expenses incurred by a taxpayer, subject to certain conditions, for post-production services including visual effects services performed at a New Jersey film-lease production facility or that are incurred by a New Jersey studio partner, or 35% of the qualified digital media content production expenses that are incurred by a taxpayer during a tax period for post-production services including visual effects services performed by a qualified independent post-production company. *L. 2024, c. 33.* The credit applies to privilege periods beginning on or after July 1, 2018 but before July 1, 2039. *L. 2024, c. 33.*

Various defined terms in the Garden State Film and Digital Media Jobs Act have been amended to expand the definition of a “full-time and full-time equivalent employee” under the Act to include individuals whose wages are not subject to tax under the GIT Act, N.J.S.A. 54A:1-1 to -2.1, due to the provisions of a tax reciprocity agreement with another state. *L. 2024, c. 33.* Additionally, the defined terms “qualified film production expenses,” “qualified digital media content production expenses” and “loan out company” were amended to incorporate the same language. *L. 2024, c. 33.*

Additionally, the definition of the term “digital media content” was amended to include the following digitally formatted and distributed content, including data or information created in analog form but reformatted in digital form: animation; video games; visual effects; interactive media, including virtual, augmented, or mixed reality; content containing text, graphics, or photographs; sound; and video. *L. 2024, c. 33.* “Qualified digital media content production expenses” means expenses incurred in New Jersey for the production of digital media content, and was amended for post-production costs, including, but not limited to: editing, sound design, visual effects, animation, music composition, color grading, and mastering. *L. 2024, c. 33.*

The defined term “qualified film production expenses” is expanded to include, for New Jersey studio partners, certain deferred compensation payments in the calculation of wages and salaries. *L. 2024, c. 33.* The Act amends the definition of “film” to include a competition or variety show filmed in front of a live audience and certain reality shows if the production company has obtained a minimum six episode order from, and is commissioned and scheduled to premiere on, a major linear network or streaming service. *L. 2024, c. 33.* The Act also amends the definition of “incurred in New Jersey” to provide that, under certain conditions, if a production is also located in another jurisdiction then the purchased tangible property is used and consumed in New Jersey to the extent that the property is located in New Jersey during its use or consumption. *L. 2024, c. 33.*

The Garden State Film and Digital Media Jobs Act also allows a diversity plan tax credit against the CBT and the New Jersey Gross Income Tax (GIT), upon approval by the NJEDA of a taxpayer’s application accompanied by a diversity plan outlining specific goals, which may include advertising and recruitment actions for hiring minority persons and women. *L. 2018, c. 56, L. 2023, c. 97.* The tax credit is available to a taxpayer during a privilege period or taxable year commencing on or after July 1, 2018 but before July 1, 2039. *L. 2024, c. 33.* The tax credit allows 2% of qualified film production expenses or 4% of the digital media content production expenses incurred by the taxpayer.

*L. 2018, c. 56, L. 2023, c. 97.* The amount of the tax credit may increase to 4% of the qualified film production expenses of the taxpayer if the diversity plan outlines specific goals that include the hiring of performers who are: (1) women or members of a minority group; (2) residents of New Jersey for a least 12 months preceding the beginning of filming or recording; and (3) members of a bona fide labor union representing film and television performers. *L. 2023, c. 97, L. 2024, c. 33.*

The NJEDA is permitted to make available the uncommitted balance of the total value of tax credits it is authorized to award pursuant to the “New Jersey Aspire Program Act” and the “Emerge Program Act” and the amount of additional tax credits authorized annually for New Jersey film-lease production companies, from \$100 million to \$250 million, and the amount of additional tax credits that the NJEDA may decide to make available for New Jersey studio partners, from \$350 million to \$400 million each year. *L. 2023, c. 97.* Tax credits are also to be made available to taxpayers other than New Jersey studio partners and New Jersey film-lease production companies that are awarded tax credits under the program which value is not to exceed \$300 million in Fiscal Year 2025. *L. 2024, c. 33.* Of this \$300 million, up to \$100 million per year may be made available to taxpayers that are New Jersey studio partners and New Jersey film-lease production companies, at the discretion of the NJEDA. *L. 2024, c. 33. L. 2023, c. 97* also permits the NJEDA to make capital investments in New Jersey film-lease partner facilities in amounts not to exceed \$10 million per project, and appropriates \$30 million to the NJEDA for the purpose of making and administering these capital investments. *L. 2023, c. 97* also removes the 20 percent penalty currently imposed on a New Jersey film-lease partner’s qualified film production expenses that fall below a \$50 million annual average and includes a requirement for a New Jersey studio partner to occupy its production facility for the duration of the studio partner’s commitment period or else risk recapture of awarded tax credits and loss of New Jersey studio partner designation.

*L. 2023, c. 97* revises the definitions of “incurred in New Jersey” and “qualified film production expenses,” to include certain payments made to homeowners for the use of their personal residence located in New Jersey. The definition of “qualified film production expenses” is expanded to include, for New Jersey studio partners, certain deferred compensation payments in the calculation of wages and salaries, modifies the limitation on the amount of wages, salaries, and other compensation that New Jersey studio partners and New Jersey film-lease production companies may include as “qualified film production expenses,” and revises the definition of “film” to include a competition or variety show filmed in front of a live audience. *L. 2024, c. 33* made eligibility modifications to film production expenses, including (1) at least 60 percent of the total film production expenses, exclusive of post-production costs, of the taxpayer are to be incurred for services performed, and goods purchased through vendors authorized to do business in New Jersey; or (2) the qualified film production expenses of the taxpayer during the tax period for services performed, and goods purchased, through vendors authorized to do business in New Jersey, are to exceed \$1 million per production. Both conditions must be met for reality shows. *L. 2023, c. 97* revises certain requirements for the diversity plan credit to allow for a four-percent tax credit against the CBT and the GIT on qualified expenses if a taxpayer submits a diversity plan that includes the hiring of performers who are: (1) women or members of a minority group; (2) residents of New Jersey for a least 12 months preceding the beginning of filming or recording; and (3) members of a bona fide labor union representing film and television performers. *L. 2024, c. 33* amends the definition of “film” to include certain reality shows if the production company has obtained a minimum six episode order from, and is commissioned and scheduled to premiere on, a major linear network or streaming service, amends the definition of “incurred in New Jersey” to provide that, under certain conditions, if a production is also located in another jurisdiction then the purchased tangible property is used and consumed in New Jersey to the extent that the property is located in New Jersey during its use or consumption, and amends the definition of “qualified film production expenses” to provide for the inclusion of wages and salaries not subject to GIT due to tax reciprocity agreements with other states. A tax credit is available to employers for employees with an impairment to their work capacity, 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 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 New Jersey Economic Recovery Act of 2020 authorized the award of various tax credits, including under the jurisdiction of the NJEDA, through various constituent programs, not to exceed an overall cap of \$11.5 billion. The New Jersey Economic Recovery Act of 2020 originally awarded the tax credits over six years, with an additional seventh year to award uncommitted tax credits under the constituent programs. *L. 2020, c. 156*. *L. 2023, c. 98* extends this period by another two years, to March 1, 2029. The New Jersey Innovation Evergreen Act, under the jurisdiction of the NJEDA, allows the NJEDA to approve investors to make special purpose qualified investments and to administer programs that create an innovation ecosystem that supports high growth businesses in the State. *L. 2020, c. 156*. The total value of tax credits annually awarded during each of the first six years of the nine-year period shall not exceed \$60 million, and the total value of tax credits awarded over the entirety of the nine-year period shall not exceed \$300,000,000. *L. 2023, c. 98*. The Food Desert Relief Act 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 awarded under this program are capped at \$40 million annually for each of the first six years of the nine-year period. *L. 2020, c. 156*. The New Jersey Community-Anchored Development Act provides CBT and IPT credits to anchor institutions, which include 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. The Cultural Arts Incentives Program Act amends and supplements *L. 2020, c. 156* and establishes a tax credit program under the jurisdiction of the NJEDA which incentivizes the establishment of cultural arts projects in New Jersey. *L. 2023, c. 197*. An eligible cultural arts institution seeking a tax credit pursuant to this program must apply for the tax credit with the NJEDA, and tax credits awarded to a cultural arts institution under this program may be applied against CBT and IPT liabilities. *L. 2023, c. 197*. Recipients of the tax credits can apply for a tax credit transfer certificate, which can be sold or assigned in full or in part in the privilege period during which the cultural arts institution receives the tax credit transfer certificate. *L. 2023, c. 197*. Tax credits under this program are capped at \$200 million annually for the first six years of the nine-year program. *L. 2020, c. 156*; *L. 2023, c. 98*. Certain restrictions apply to the geographical distribution of these awards. *L. 2023, c. 98*.

*L. 2024, c. 61* modifies certain provisions of the Historic Property Reinvestment Program and the Brownfields Redevelopment Incentive Program. 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 50 percent of the rehabilitation cost of a qualified property other than a transformative project, and tax credits under this program are capped at \$50 million annually for the first six years of the nine-year period. The Brownfields Redevelopment Incentive Program provides CBT tax credits to compensate developers of redevelopment projects located on brownfield sites for remediation costs, based on 60 percent of the actual remediation costs, or 60 percent of projected remediation costs as set forth in a redevelopment agreement, or \$8,000,000, whichever is least. Tax credits under this program are capped at \$50 million annually for the first six years of the nine-year period. *L. 2024, c. 61*.

*L. 2024, c. 49*, establishes the Next New Jersey Program Act under the jurisdiction of the NJEDA to encourage economic development of artificial intelligence (AI) in the State, by providing tax credits to eligible businesses primarily engaged in the AI industry. A business will be considered primarily engaged in the AI industry if it can demonstrate various factors, including that at least 50 percent of the business's employees are engaged in AI-related activities, or at least 50 percent of the business's revenue is generated from AI-related activities. *L. 2024, c. 49*. A business eligible for a tax credit may submit an application to the NJEDA for approval. The amount of the tax credit allowed for a particular project would equal the lesser of: (1) the product of 0.1 percent of the eligible business's total capital investment multiplied by the number of new full-time jobs; or (2) 25 percent of the eligible business's total capital investment; or (3) \$250 million.

*L. 2024, c. 49*, establishes the "Next New Jersey" program to encourage artificial intelligence (AI) development. A business would be considered primarily engaged in such an industry if at least 50 percent of the business's employees are engaged in AI-related activities, or at least 50 percent of the business's revenue is generated from AI-related activities and the amount of the tax credit allowed for a particular project would be equal to the lesser

of: (1) the product of 0.1 percent of the eligible business's total capital investment multiplied by the number of new full-time jobs; (2) 25 percent of the eligible business's total capital investment; or (3) \$250 million.

The New Jersey Economic Recovery Act of 2020 also established The New Jersey Aspire Program ("Aspire") and the Emerge Program ("Emerge"), both under NJEDA authority. *L. 2020, c. 156*. Aspire 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*. Emerge provides CBT and IPT tax credits to encourage economic development, job creation, and the retention of significant numbers of jobs in imminent danger of leaving the State. Developers may submit an application for an Aspire tax credit for an eligible redevelopment project during the grant period, through March 1, 2029. The tax credits are awarded in the order the applications are received for eligible redevelopment projects submitted during the grant period. *L. 2020, c. 156; L. 2023, c. 98. L. 2022, c. 46* amended Aspire to provide that the recipients of tax credits under its 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. Under Aspire, the recipient of a tax credit may apply to the Director for a tax credit certificate to transfer all or part of its tax credit amount for use by the transferee in the tax period for which it was issued, and the transferee may carry forward all or part of the tax credit amount in any of the next five successive tax periods. *L. 2023, c. 98*. The amount of tax credits that may be claimed by the transferee in any tax period shall not exceed the total tax credit amount divided by the duration of the eligibility period in years. *L. 2023, c. 98*. Additionally, the NJEDA is no longer required to approve the carry forward of tax credits. *L. 2022, c. 46*. Tax credits under Aspire combined with tax credits under Emerge are capped at \$1.1 billion annually for the first six years of the nine-year period. *L. 2020, c. 156*. The combined \$1.1 billion annual cap for Aspire and Emerge does not apply to annual expenditures for transformative projects under Aspire. Transformative projects under Aspire do not have an annual cap. However, the \$11.5 billion overall cap for all of the constituent programs for the nine-year period includes a \$2.5 billion overall cap for transformative projects. *L. 2020, c. 156; L. 2023, c. 98*.

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 CBT or GIT, 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. *L. 2023, c. 4* 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*.

*L. 2023, c. 50* decouples New Jersey's CBT Act from 26 U.S.C. 280E, which prohibits deductions and credits for cannabis businesses, and also decouples S Corporation income under the New Jersey GIT Act from 26 U.S.C. 280E, to allow a New Jersey taxpayer to deduct from income all ordinary and necessary business expenses incurred in carrying on a licensed cannabis business. N.J.S.A. 54:10A-1 to -41; N.J.S.A. 54A:5-1 to -18.

### **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". *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 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 GIT 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 GIT 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. *L. 1990, c. 61*. The Homestead Property Tax Credit Act provides minimum statutory benefits and is subject to annual appropriation. *L. 2023, c. 84* clarifies base year income eligibility criteria for the Homestead property tax benefit. *L. 2023, c. 74*, authorizes property tax benefits to eligible residents for Fiscal Year 2024, under the Affordable New Jersey Communities for Homeowners and Renters (“ANCHOR”) property tax rebate program. This program includes those who reside in housing that operates under a Payment In Lieu of Taxes (“PILOT”) agreement with their municipality. Homeowner residents with gross income in excess of \$150,000 but not in excess of \$250,000 for tax year 2020 are eligible for a benefit in the amount of \$1,000 of property taxes paid; homeowner residents with income of \$150,000 or less are eligible for \$1,500. *L. 2023, c. 75* provides an additional \$250 to eligible homeowner residents age 65 years or older; Tenant residents with gross income in excess of \$150,000 for tax year 2020 are excluded from the program, and tenant residents with gross income not in excess of \$150,000 for tax year 2020 are eligible for a benefit of \$450. *L. 2023, c. 75* provides an additional \$250 to eligible tenant residents age 65 years or older.

*L. 2023, c. 75* establishes a new program to provide property tax benefits to senior citizens called the “Stay NJ” property tax credit program. The program is expected to be implemented January 1, 2026. *L. 2023, c. 75*. The Stay NJ property tax credit would provide eligible claimants an annual property tax credit of up to 50 percent of the property taxes they paid on their principal residence in the prior tax year, up to a maximum of \$6,500 per year. An “eligible claimant” is a person who is 65 or more years of age, is the owner of a homestead that is the person’s primary residence, and has a gross annual income that is less than \$500,000. *L. 2023, c. 75*. An applicant seeking property tax relief will be entitled to the greater of: (1) the amount of the Stay NJ property tax credit; or (2) the combined amount of the ANCHOR property tax rebate and the homestead property tax reimbursement. *L. 2023, c. 75*.

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. 2023, c. 125* establishes that if an employee’s state of residence determines the source of income of nonresidents by a “convenience of the employer test,” and the employee works for a New Jersey employer from a location in the employee’s state of residence for the employee’s own convenience, then the New Jersey employer would be required to include those days as days worked in New Jersey and withhold income tax accordingly. *L. 2023, c. 125*. This legislation does not apply to Pennsylvania residents who work in New Jersey, since there is a Reciprocal Agreement in place with that state. Further, the convenience of employer sourcing rule also does not apply to Connecticut residents who work in New Jersey, based on New Jersey’s understanding that the similar Connecticut convenience rule does not apply to New Jersey residents who work in Connecticut. The Division intends to coordinate with the Connecticut Department of Revenue Services and issue further guidance for clarification.

*L. 2023, c. 125* also provides a refundable GIT credit available to New Jersey resident taxpayers who obtain a favorable final judgment from the tax court or tribunal of another state or jurisdiction, resulting in the resident taxpayer being refunded taxes paid to that state or jurisdiction on income derived from services rendered while the resident taxpayer was within New Jersey. The tax credit would be equal to 50 percent of the amount of the taxes that are owed to New Jersey as a result of the readjustment of New Jersey’s credit for taxes paid to another state or jurisdiction. *L. 2023, c. 125* also establishes a nonrefundable GIT credit of \$2,000 for individuals who seek from their employer and accept a reassignment from an out-of-State location to an in-State location and the amount of tax credits that may be awarded to qualified taxpayers is limited to \$10 million per State fiscal year. *L. 2023, c. 125* provides that NJEDA will provide grants to eligible businesses to assign their New Jersey resident employees to New Jersey locations, and a business is eligible for a grant if the business has 25 or more full-time employees, is principally located in another State, and the sum of all grants awarded in any fiscal year is capped at \$35 million. *L. 2023, c. 125* clarifies that its provisions would not affect any agreements entered into by the Division of Taxation with another state concerning the payment of income taxes by residents and out-of-state workers. *L. 2023, c. 125* limits the time period for which a taxpayer may claim a credit for taxes to other jurisdictions, when another state changes or corrects reportable income, to within one year after the date the taxpayer received notification that the other state’s income tax was due.

*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 New Jersey GIT Act by imposing a GIT obligation on nonresident individuals, estates, or trusts to report and pay estimated GIT 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 GIT 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.

*L. 2004, c. 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. *L. 2004, c. 55* became effective on August 1, 2004. 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 that practice in or near a Health Enterprise Zone. *L. 2004, c. 139*.

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*.

Effective in the tax year beginning on or after January 1, 2023, 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. 2023, c. 72*. 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 \$1000 credit; income over \$30,000 but not over \$40,000 receives an \$800 credit; income over \$40,000 but not over \$50,000 receives a \$600 credit; income over \$50,000 but not over \$60,000 receives a \$400 credit; and income over \$60,000 but not over \$80,000 receives a \$200 credit.

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 filer). *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 profit from business; (2) net gain 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 grants in the form of a credit against the recipient's GIT withholding obligations. *L. 2015, c. 194*. A recipient that 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* 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.*

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 GIT 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.*

*L. 2023, c. 96* provides for uniform sourcing rules for the GIT and CBT for taxable years beginning on and after January 1, 2023. A GIT taxpayer’s income from a trade, business, partnership, or S corporation will be sourced in a manner consistent with the CBT, and any income from salary, wages, tips, fees, commissions, bonuses, and other similar forms of remuneration will be sourced in a manner consistent with the GIT.

### **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 when a 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 the foreign 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, *L. 2005, c. 128* imposes the Insurance Premiums 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. 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* 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* changed the point of motor fuel taxation from the retail and distribution system of refineries, pipelines, ships and barges, at a terminal.

*Current Rates:* Motor Fuel — 10.5 cents per gallon for gasoline and blended fuel that contains gasoline or is intended for use as gasoline; 13.5 cents per gallon for diesel fuel and blended fuel that contains diesel fuel or is intended for use as diesel fuel and kerosene (but does not include aviation grade kerosene). Liquefied Petroleum Gas — 5.25 cents per gallon; Aviation Gasoline — 10.5 cents per gallon. In addition to the forgoing, aviation fuel distributed to a general aviation airport is taxed at 2 cents per gallon. *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's 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 ("PPGRT") 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.

Under current law, the rate of tax imposed under the PPGRT is annually adjusted by the State Treasurer to ensure that the State realizes a statutorily prescribed revenue target, more commonly referred to as the "highway fuel cap." *L. 2016, c. 57*. All revenues collected are deposited into the Transportation Trust Fund Account to support transportation infrastructure projects, including debt service on bonds to fund transportation infrastructure projects. *L. 2016, c. 57*. If the actual revenues generated fall above or below the highway fuel cap amount set for the fiscal year, the rate of tax is adjusted accordingly, to ensure the highway fuel cap amount is realized. This annual adjustment mechanism was set to expire at the conclusion of State Fiscal Year 2026. *L. 2024, c. 7* modified this mechanism, beginning with fiscal year 2025, to gradually raise the highway fuel cap amount through Fiscal Year 2029.

*Current Rates:* 7% for petroleum products, \$0.124 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, 2023, the tax on gasoline and liquefied petroleum is \$0.318 cents and \$0.358 cents for diesel fuel.

Effective July 1, 2024, the law increases the highway fuel cap annually for Fiscal Year 2025 through Fiscal Year 2029 and changes the date the State Treasurer and the Legislative Budget and Finance Officer must determine the total revenue derived from the taxes collected in the prior State fiscal year, the revenue that would be derived from imposing the tax on highway fuel at a rate of four cents per gallon, and the revenue derived from the taxation of highway fuel from August 15 to November 15 in order to determine the new tax rate from October 1, 2024 to January 1, 2025. *L. 2024, c. 7*. The law also abolishes the three-member review council tasked with monitoring the implementation of the PPGRT. *L. 2024, c. 7*.

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 PPGRT. 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 PPGRT 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 a basic tax at a rate of \$1.75 for each \$500 of consideration up to \$150,000. For each \$1.75 collected, the county retains \$0.50 and the county remits \$1.25 to the State Treasurer. An additional fee of \$0.75 per \$500 of consideration over \$150,000 is also remitted to the State Treasurer. Pursuant to *N.J.S.A. 46:15-10.1(b)*, new construction is exempt from 80% of the State portion of the basic tax imposed by *N.J.S.A. 46:15-7* (*i.e.*, \$1.00 of the State portion), for each \$500 of consideration up to \$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 allocated to the counties. The supplemental fee is \$0.25 for each \$500 of consideration not in excess of \$150,000; \$0.85 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 (SUT)**

The 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 a State occupancy fee unless the keys to the transient accommodation are obtained off-site from a New Jersey real estate broker, or accommodation is for a lease of real property with a term of at least 90 days. *L. 2018, c. 49.* On and after August 9, 2019, State occupancy fees on transient accommodations only apply 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 State occupancy fee on transient accommodations. *L. 2019, c. 235.*

Effective August 1, 2015, rentals of hotels, motels, and transient accommodations located within the Hackensack Meadowlands District are subject to an additional 3% Meadowlands regional hotel use assessment. *L. 2015, c. 19.* Effective July 1, 2018, the assessment also applies to the occupancy of every room in every hotel or transient accommodation located outside of the Hackensack Meadowlands district, but within one of the 14 municipalities that participate in the Meadowlands revenue sharing program. *L. 2018, c. 49; L. 2018, c. 52.*

*Current Sales and Use Tax Rate:* 7% (*L. 2006, c. 44*). The tax rate decreased from 7% to 6.875% on and after January 1, 2017 until the tax rate decreased again 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* replaced the term “digital property” with the term “specified digital product.”

The SUT 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 SUT 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, energy, medical cannabis and cannabis products sold under the Jake Honig Compassionate Use Medical Cannabis Act, and recreational cannabis and cannabis products sold under the Cannabis Regulatory, Enforcement Assistance, and Marketplace Modernization Act. *L. 1983, c. 303; L. 1990, c. 40; L. 2023, c. 282.* Tax revenues on retail sales of cannabis items shall be credited to the Cannabis Regulatory, Enforcement Assistance, and Marketplace Modernization (“CREAMM”) Fund. *L. 2023, c. 282.* 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 SUT 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 a UEZ 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 SUT. However, *L. 2021, c. 197* limits this exemption to the first \$100,000 of these purchases, effective January 1, 2022. The SUT 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 SUT 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 SUT 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 Economic Redevelopment and Growth ("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-use 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 and for certain affordable housing projects; 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. Purchases made by contractors or repair persons of materials, supplies, and services for exclusive use in erecting structures or building on, or otherwise improving, altering, or repairing real property of housing sponsors engaged in certain affordable housing projects are exempt from the SUT. *L. 2024, c. 3*. 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 SUT holiday was 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.* The annual SUT holiday was repealed by *L. 2024, c. 19.* Effective October 1, 2024, through June 30, 2025, a tax rate of 3.3125% will be imposed on the sale of zero emission vehicles and beginning July 1, 2025, zero emission vehicles will be taxed at the full statutory rate of 6.625%. *L. 2024, c. 19.*

Receipts from the sales of investment metal bullion and investment coins are exempt from SUT. *P.L. 2024, c. 64.*

### **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 Cannabis Regulatory Commission (“CRC”), 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 CRC, 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 SUT. *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 New Jersey 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 New Jersey 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.*

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**APPENDIX II**

**BOND RESOLUTION AND FIFTH SUPPLEMENTAL RESOLUTION**

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**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY**

**HIGHER EDUCATION FACILITIES TRUST FUND  
GENERAL BOND RESOLUTION**

**ADOPTED NOVEMBER 15, 1995  
AND AMENDED AUGUST 13, 2014**

**A RESOLUTION AUTHORIZING THE ISSUANCE OF  
HIGHER EDUCATION FACILITIES TRUST FUND BONDS  
OF THE NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY;  
PROVIDING FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON  
SUCH BONDS AND PROVIDING FOR THE RIGHTS OF THE HOLDERS THEREOF**

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**HIGHER EDUCATION FACILITIES TRUST FUND  
GENERAL BOND RESOLUTION**

**A RESOLUTION AUTHORIZING THE ISSUANCE OF  
HIGHER EDUCATION FACILITIES TRUST FUND BONDS  
OF THE NEW JERSEY EDUCATION FACILITIES AUTHORITY;  
PROVIDING FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON  
SUCH BONDS AND PROVIDING FOR THE RIGHTS OF THE HOLDERS THEREOF**

---

BE IT RESOLVED by the New Jersey Educational Facilities Authority as follows:

**ARTICLE I**

**DEFINITIONS AND STATUTORY AUTHORITY**

**Section 101. Definitions.** The following terms shall, for all purposes of this Resolution, have the following meanings:

**Account or Accounts** shall mean, as the case may be, each or all of the accounts established and created under Article V hereof.

**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, who may be the accountant or firm of accountants who regularly audit the books of the Authority.

**Accreted Value** shall mean, as of the date of computation, the value of a Capital Appreciation Bond as determined by reference to the method of computing the increase in the value of such Capital Appreciation Bond set forth in the Supplemental Resolution authorizing the issuance of such Capital Appreciation Bond.

**Act** shall mean the New Jersey Educational Facilities Authority Law, being Chapter 72A of Title 18A of the New Jersey statutes, as enacted by Chapter 271 of the Laws of 1967, as amended and supplemented, including the Higher Education Facilities Trust Fund Act (P.L. 1993, c. 375) as amended and supplemented.

**Additional Bonds** shall mean Bonds authenticated and delivered upon original issuance pursuant to Sections 204 and 205 of this Resolution and includes Refunding Bonds.

**Authority** means the New Jersey Educational Facilities Authority, a body corporate and politic, with corporate succession, constituting a political subdivision of the State, created by the Act.

**The definition of “Authorized Authority Representative” in this Section 101 was amended by the Authority’s Third Supplemental Bond Resolution adopted August 13, 2014. Prior to such amendment, the definition read as follows:**

**Authorized Authority Representative** shall mean the Chairman, the Vice Chairman, the Treasurer, or the Executive Director of the Authority and, when used with reference to an act or a document, also means any other person who shall be authorized by resolution of the Authority to perform such act or to execute such document.

**From and after August 13, 2014, the definition of “Authorized Authority Representative” reads as follows:**

**Authorized Authority Representative** shall mean the Chair, Vice Chair, Assistant Treasurer, Secretary, any Assistant Secretary, Executive Director, Deputy Executive Director, Director of Project Management or Director of Risk Management, and any other person authorized by resolution to act on behalf of the Authority under the Resolution, and any such officers designated as “acting” or “interim”.

**Authorized Institution Representative** shall mean any person or persons authorized to act on behalf of an Institution by a written certificate duly executed on behalf of the Institution, which sets forth such authorization and which contains the specimen signature of each such person.

**Authorized Denominations** shall mean \$5,000 or any integral multiple of \$5,000.

**Authorized Newspaper** shall mean a financial newspaper customarily published in the Borough of Manhattan, City and State of New York, at least once a day for at least five (5) days (other than legal holidays) in each calendar week, printed in the English language and devoted in whole or part to financial matters.

**Bond or Bonds** shall mean any of the bonds of the Authority delivered under and pursuant to the terms of the Resolution.

**Bond Counsel** shall mean an attorney or firm of attorneys with experience and nationally recognized expertise in the field of municipal finance selected by the Authority.

**Bond Registrar** shall mean the Trustee, its successors and assigns, or any other commercial 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 the Bond Registrar enumerated in Section 305 of this Resolution.

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

**The definition of “Business Day” in this Section 101 was amended by the Authority’s Third Supplemental Bond Resolution adopted August 13, 2014. Prior to such amendment, the definition read as follows:**

**Business Day** shall mean any day that is not a Saturday, a Sunday or a legal holiday in the State or the State of New York or a day on which the Trustee, the Bond Registrar, the Authority or any Paying Agent is legally authorized to close.

**From and after August 13, 2014, the definition of “Business Day” reads as follows:**

**Business Day or Business Days** shall mean any day that is not a Saturday, a Sunday or a legal holiday or State of Emergency Closure in the State or the State of New York, a day when the New York Stock Exchange is closed or a day on which the Trustee, the Bond Registrar or any Paying Agent is legally authorized to close.

**Capital Appreciation Bond** shall mean a Bond or Bonds with a stated Accreted Value at maturity, the interest on which is not payable until maturity or earlier redemption.

**Code** shall mean the Internal Revenue Code of 1986, as amended from time to time, and the applicable regulations thereunder.

**Debt Service** shall mean, with respect to any Interest Payment Date, the sum of interest and the Principal Installment, if any, payable on such Interest Payment Date.

**Debt Service Fund** shall mean the Debt Service Fund established in Section 501.

**Default Interest** shall have the meaning given to such term in Section 308 hereof.

**The following definition of “Defeasance Securities” was added to this Section 101 by the Authority’s Third Supplemental Bond Resolution adopted August 13, 2014:**

**Defeasance Securities** shall mean (i) any direct and general obligations of, or any obligations unconditionally 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 unconditionally 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, (iii) certificates of ownership of the principal or interest of direct and general obligations of, or obligations unconditionally 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, (iv) obligations described in clause (ii) of the definition of “Investment Obligations,” and (v) obligations described in clause (x) of the definition of “Investment Obligations” which are rated, at the time of purchase, in the highest rating category, without regard to rating sub-categories, by any two Rating Agencies then rating the Bonds.

**Depository** shall mean any bank or trust company selected by the Authority as a depository of moneys and securities held under the provisions of this Resolution and shall include the Trustee and the Paying Agent.

**The following definition of “Event of Non-Appropriation” was added to this Section 101 by the Authority’s Third Supplemental Bond Resolution adopted August 13, 2014:**

**Event of Non-Appropriation** shall mean the failure by the New Jersey Legislature to appropriate funds to the Authority for any Fiscal Year in an amount sufficient to pay when due the Authority’s Debt Service and Financing Facility Payment Obligations coming due in such Fiscal Year.

**Favorable Opinion of Bond Counsel** shall mean an opinion of Bond Counsel, addressed to the Authority and the Trustee, to the effect that the action proposed to be taken is authorized or permitted by this Resolution and the Act and will not adversely affect the exclusion of interest on the Bonds from gross income for purposes of Federal income taxation under Section 103 of the Code.

**The following definition of “Federal Securities” was deleted in its entirety from this Section 101 by the Authority’s Third Supplemental Bond Resolution adopted August 13, 2014. Prior to such deletion, the definition read as follows:**

**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 Section 501.

**Grant** shall mean Grants made to Private Institutions of Higher Learning and Public Institutions of Higher Learning pursuant to the Higher Education Facilities Trust Fund Act.

**Interest Payment Date** shall mean any date on which any interest shall be due and payable by the Authority. In the event an Interest Payment Date is not a Business Day, interest shall be paid on the next succeeding Business Day for interest accrued to the Interest Payment Date.

**The definition of “Investment Agreement” in this Section 101 was amended by the Authority’s Third Supplemental Bond Resolution adopted August 13, 2014, to delete therefrom the phrase “Moody’s and S&P” and to insert in its place the phrase “any two Rating Agencies then rating the Bonds”. Prior to such amendment, the definition read as follows:**

**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 Investment Agreement shall be collateralized by at least one hundred two (102%) percent in principal amount of Investment Obligations, as the same may be amended from time to time.

**From and after August 13, 2014, the definition of “Investment Agreement” reads as follows:**

**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 any two Rating Agencies

then rating the Bonds 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 Investment Agreement shall be collateralized by at least one hundred two (102%) percent in principal amount of Investment Obligations, as the same may be amended from time to time.

**The definition of “Investment Obligations” in this Section 101 was amended by the Authority’s Third Supplemental Bond Resolution adopted August 13, 2014. Prior to such amendment, the definition read as follows:**

**Investment Obligations** 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 interest bearing 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 or other interest bearing deposit arrangements and shall be lodged with the Trustee, as custodian, by the bank, trust company or national banking association issuing such certificates of deposit or held in the manner required by Section (vi)(b) below;
- (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 sub-categories, 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 unsecured, unsecured and unguaranteed obligation rated "Prime-1" or "A3" or better by Moody's and "A-1" 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 custodian 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 a 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 this Resolution with respect to any particular bank, trust company, or national association shall not exceed 5% of its capital and surplus; and provided further that 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 any 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.

**From and after August 13, 2014, the definition of "Investment Obligations" reads as follows:**

**Investment Obligations** 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:

(i) Defeasance 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 unconditionally guaranteed by the United States or by another such agency, the obligations (including guarantees) of which are unconditionally 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, at the time of purchase, in one of the two highest rating categories, without regard to rating sub-categories, by any two Rating Agencies;
- (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 in one of the two highest rating categories, without regard to rating sub-categories, by any two Rating Agencies, 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 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 or may be drawn upon in full on or before an Interest 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 this 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 sub-categories, by any two Rating Agencies;
  - (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, without regard to rating sub-categories, by any two Rating Agencies then rating the Bonds;
- (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 sub-categories 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 \$75,000,000;
- (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 in one of the two highest rating categories, without regard to rating sub-categories, by any two Rating Agencies then rating the Bonds;
- (xiv) Investment Agreement; and
- (xv) Any other investment approved in writing by the State Treasurer.

**Moody's** shall mean Moody's Investors Service.

**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 of which moneys, equal to the principal amount or Redemption Price thereof, as the case may be, together with interest to accrue thereon to the date of maturity or redemption date, shall be held in an irrevocable trust under this Resolution and set aside for such payment or redemption (whether at or prior to the maturity) provided that if such Bonds (or portions of Bonds) are to be redeemed, notice of such redemption shall have been given as in Article IV hereof;

(iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to Article III or Section 1006; and

(iv) Bonds deemed to have been paid as provided in subsections 2 or 3 of Section 1101.

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

**Principal Installment** shall mean, as of any date of calculation, and with respect to any Series of Bonds, so long as any Bonds thereof are Outstanding, (i) the principal amount of Bonds of such Series due on a certain future date for which no Sinking Fund Installments have been established plus any applicable redemption premium thereon, and (ii) any Sinking Fund Installments due on a certain future date for Bonds of such Series, plus the amount of the sinking fund redemption premium, if any, which would be applicable upon redemption of such Bonds on such future date in a principal amount equal to such Sinking Fund Installments.

**Private Institution of Higher Education** shall mean independent colleges or universities incorporated and located in New Jersey, which by virtue of law or character or license, are nonprofit educational institutions authorized to grant academic degrees and which provide a level of education which is equivalent to the education provided by the State's public institutions of higher education, and which are eligible to receive State aid.

**The definition of "Public Institution of Higher Education" in this Section 101 was amended by the Authority's Third Supplemental Bond Resolution adopted August 13, 2014. Prior to such amendment, the definition read as follows:**

**Public Institution of Higher Education** shall mean Rutgers, The State University, the State colleges, the New Jersey Institute of Technology, the University of Medicine and Dentistry of New Jersey, the county colleges and any other public university or college now or hereinafter established or authorized by law.

**From and after August 13, 2014, the definition of "Public Institution of Higher Education" reads as follows:**

**Public Institution of Higher Education** shall mean Rutgers, The State University of New Jersey, Rowan University of New Jersey, the New Jersey Institute of Technology, University

Hospital (as a successor to the University of Medicine and Dentistry of New Jersey), the State colleges, the county colleges and any other public university or college now or hereafter established or authorized by law.

**The definition of “Rating Agency” in this Section 101 was amended by the Authority’s Third Supplemental Bond Resolution adopted August 13, 2014, to add the phrase “at the request of the Authority” following each appearance of the phrase “assigned a rating to the Bonds”. Prior to such amendment, the definition read as follows:**

**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.

**From and after August 13, 2014, the definition of “Rating Agency” reads as follows:**

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

**Rebate Fund** shall mean the Rebate Fund established in Section 501 under this Resolution.

**The definition of “Record Date” in this Section 101 was amended by the Authority’s Third Supplemental Bond Resolution adopted August 13, 2014. Prior to such amendment, the definition read as follows:**

**Record Date** shall mean, with respect to the Bonds, the 15th day of the month next preceding any Interest Payment Date.

**From and after August 13, 2014, the definition of “Record Date” reads as follows:**

**Record Date** shall mean (i) in the case of any Interest Payment Date falling on the 1<sup>st</sup> day of a month, the 15<sup>th</sup> day of the month next preceding such Interest Payment Date, (ii) in the case of any Interest Payment Date falling on the 15<sup>th</sup> day of a month, the 1<sup>st</sup> day of the month in which such Interest Payment Date occurs, and (iii) in all other cases or in the case of any Bonds bearing interest at a variable rate of interest, as shall be provided in the Series Certificate applicable to such Bonds.

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

**Refunding Bonds** shall mean the Bonds, whether issued in one or more Series, authenticated and delivered on original issuance pursuant to Section 204, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to Article III or Section 1006 hereof.

**Resolution** shall mean this resolution as amended and supplemented from time to time.

**Revenues** shall mean moneys appropriated by the State and paid to the Authority for deposit in the Trust Fund and all interest and investment earnings on moneys in the Trust Fund, except amounts required to be deposited in the Rebate Fund.

**S&P** shall mean Standard & Poor's Ratings Services, a division of McGraw-Hill Companies, Inc.

**Series** shall mean all of the Bonds authenticated and delivered upon original issuance and pursuant to this 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 Article III of the Resolution, regardless of variations in maturity, interest rate, Sinking Fund Installments, or other provisions.

**The following definition of "Series Certificate" was added to this Section 101 by the Authority's Third Supplemental Bond Resolution adopted August 13, 2014:**

**Series Certificate** shall mean a certificate executed by an Authorized Authority Representative making certain determinations in connection with the issuance of a Series of Bonds pursuant to a Supplemental Resolution providing for, among other things, the issuance of such Series of Bonds. Each Series Certificate, upon execution and delivery, shall be deemed to be a part of the applicable Supplemental Resolution. Notwithstanding the provisions of Section 202(d) hereof, the Bonds may be awarded by any Authorized Authority Representative authorized to make such award in accordance with the applicable Supplemental Resolution, which award may be set forth in the Series Certificate or in a separate certificate of an Authorized Authority Representative.

**Series 1995A Bonds** shall mean all of the Bonds authenticated and delivered upon original issuance pursuant to Section 203 hereof.

**Sinking Fund** shall mean the Sinking Fund established in Section 501.

**Sinking Fund Installment** shall mean that designated amount on deposit in the Sinking Fund which shall be applied by the Trustee to the redemption of Bonds of any Series.

**Special Record Date** shall have the same meaning given to such term in Section 308 hereof.

**State** shall mean the State of New Jersey or any successor to its duties and functions.

**State Treasurer** shall mean the Treasurer of the State.

**Supplemental Resolution** shall mean any resolution supplemental to or amendatory of this Resolution adopted by the Authority.

**Tax-Exempt Obligations** shall mean any Series of Bonds which are issued pursuant to the terms of this Resolution together with an opinion of Bond Counsel to the Authority to the effect that the interest on such Bonds is not includable in gross income for Federal income tax purposes pursuant to the provisions of the Code (notwithstanding the application of the provisions of the Code relating to alternative minimum taxation).

**Trust Fund** shall mean the Higher Education Facilities Trust Fund established in Section 501.

**Trustee** shall mean Commerce Bank, National Association, Cherry Hill, New Jersey and its successors or assigns and any other trustee that at any time may be substituted in its place pursuant to this Resolution.

Except where the context otherwise requires, words importing the singular number shall include the plural number and vice versa, words importing persons shall include firms, associations, corporations, districts, agencies and bodies, and words of the masculine gender shall mean and include correlative words of the feminine and neuter gender and vice versa. All times referenced herein shall be to prevailing Eastern time unless otherwise specifically noted.

**Section 102. Authority for this Resolution.** This Resolution is adopted pursuant to the provisions of the Act.

**Section 103. Resolution to Constitute Contract.** In consideration of the purchase and acceptance of any and all of the Bonds authorized to be issued hereunder by those who shall hold the same from time to time, this Resolution shall be deemed to be and shall constitute a contract between the Authority and the Holders from time to time of the Bonds; and the security interest granted and the pledge and assignment made in this Resolution and the covenants and agreements herein set forth to be performed on behalf of the Authority shall be for the equal benefit, protection and security of the Holders of any and all of the Bonds, all of which, regardless of the time or times of their authentication and delivery or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof, all except as expressly provided in or permitted by this Resolution.

## ARTICLE II

### AUTHORIZATION AND ISSUANCE OF BONDS

#### **Section 201. Authorization of Bonds.**

1 The Authority does hereby determine to provide Grants to Public and Private Institutions of Higher Education pursuant to and in accordance with the Act.

2. In accordance with the Act and pursuant to the provisions of this Resolution, Bonds of the Authority to be designated as “Higher Education Facilities Trust Fund Bonds” are hereby authorized to be issued. The Bonds shall be special and limited obligations of the Authority payable solely from Revenues and other funds held under the Resolution. The aggregate principal amount of the Bonds that may be executed, authenticated and delivered under this Resolution is not limited except as is or as hereafter may be provided in this Resolution or as may be limited by law.

3. The Bonds may, if and when authorized by the Authority pursuant to this Resolution and one or more Supplemental Resolutions, be issued in one or more Series (if the same has been approved by the Treasurer), and the designation thereof, in addition to the name “Higher Education Facilities Trust Fund Bonds”, shall include such further appropriate particular designation added to or incorporated in such title for the Bonds of any particular Series as the Authority shall determine. Each Bond shall bear upon its face the designation so determined for the Series to which it belongs.

#### **Section 202. General Provisions for Issuance of Bonds.**

1. All of the Bonds of each Series shall be executed by the Authority for issuance under this Resolution and shall be delivered to the Trustee or the Bond Registrar. Thereupon the Trustee or the Bond Registrar shall authenticate and shall deliver the Bonds to the Authority or upon its order, but only upon the receipt by the Trustee of:

(a) A certificate evidencing the consent of the State Treasurer to the issuance of the Bonds of such Series;

(b) An opinion of Bond Counsel to the effect that, except insofar as it may be limited by bankruptcy, insolvency, debt adjustment, moratorium, reorganization or other similar laws affecting creditors’ rights generally and the availability of any particular remedy, (i) the Authority has the right and the power under the Act, as amended to the date of such opinion, to adopt this Resolution; this Resolution has been duly and lawfully adopted by the Authority, is in full force and effect, is valid and binding upon the Authority and is enforceable in accordance with its terms and no other authorization for the adoption of this Resolution is required; (ii) this Resolution creates the valid pledge that it purports to create; and (iii) the Bonds of such Series are valid, binding, direct and special obligations of the Authority as provided in this Resolution, enforceable in accordance with their



terms and the terms of this Resolution and entitled to the benefits of this 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 this Resolution;

(c) A written order as to the delivery of such Bonds signed by an Authorized Authority Representative, which order shall (i) direct the application of the proceeds of such Bonds and (ii) set forth the maturity schedule for the Bonds and the interest rates payable with respect thereto;

(d) A copy, duly certified by an Authorized Authority Representative, of this Resolution and the resolution of the Authority awarding the Bonds (which resolution shall not be a Supplemental Resolution hereunder);

(e) A copy of the Supplemental Resolution authorizing the Series of Bonds, certified by an Authorized Authority Representative, which shall, among other provisions, specify, or delegate to an Authorized Authority Representative, the power to specify: (1) the authorized principal amount, designation and Series of such Bonds; (2) the purposes for which such Series of Bonds are being issued, which shall be for the purposes specified in Section 203, 204 or 205 hereof; (3) the date, and the maturity date or dates, of the Bonds of such Series; (4) the interest rate or rates or method of calculation of the interest rate or rates of the Bonds of such Series and the Interest Payment Dates therefor; (5) the denominations of, and the manner of dating (except as otherwise provided herein), numbering and lettering the Bonds of such Series, provided that such Bonds shall be in denominations of \$5,000 or any multiple thereof as authorized by such Supplemental Resolution; (6) the Paying Agent or Paying Agents and the place or places or methods of payment of the principal and Redemption Price, if any, of, and interest on, the Bonds of such Series; (7) the Redemption Price(s), if any, and, subject to Article IV, the redemption terms for the Bonds of such Series; (8) the amount and due date of each Sinking Fund Installment, if any, for Bonds of like maturity of such Series; (9) if so determined by the Authority, provisions for the sale of the Bonds of such Series; (10) the amount (or the method of determining the amount), if any, to be deposited from the proceeds of such Series of Bonds in the Trust Fund and provisions for the application thereof to the payment of all or a portion of the interest on such Series of Bonds or any other Series of Bonds; and (11) the form of the Bonds of such Series and of the Trustee's certificate of authentication;

(f) Such further documents, moneys and securities as are required by the provisions of Section 203, 204 or 205 or Section 703 or Article IX or any Supplemental Resolution adopted pursuant to Article IX;

(g) Except in the case of Refunding Bonds and the Series 1995A Bonds, a certificate of an Authorized Authority Representative stating that the Authority is

not in default in the performance of any of the covenants, conditions, agreements or provisions contained in this Resolution;

(h) In the case of a Supplemental Resolution which delegates to an Authorized Authority Representative the power to specify the information set forth in subparagraph (f) above, a certificate of such Authorized Authority Representative which specifies and sets forth such information; and

(i) A certificate of an Authorized Authority Representative to the effect that the Bonds of such Series are within the aggregate amount of Bonds authorized to be issued pursuant to the Act.

2. All of the Bonds of each Series of like maturity shall be identical in all respects, except as to denominations, numbers and letters. After the original issuance of the Bonds of any Series, no Bonds of such Series shall be issued except in lieu of or in substitution for other Bonds of such Series pursuant to Article III, Section 406 or Section 1006.

**Section 203. The Series 1995A Bonds.** The Series 1995A Bonds shall be issued, authenticated and delivered to finance the Grants to be made by the Authority. All matters regarding the Series 1995A Bonds shall be determined in a Supplemental Resolution.

**Section 204. Refunding Bonds.**

1. One or more Series of Refunding Bonds may be authenticated and delivered upon original issuance to refund all or any portion (as determined by the Authority) of any Outstanding Bonds of one or more Series or one or more maturities within the Series of Bonds upon (i) the consent of the State Treasurer and (ii) compliance with the terms and conditions set forth in subsection 2 of this Section 204 and in Section 202 hereof.

2. Prior to or simultaneously with the delivery of each such Series of Refunding Bonds pursuant to subsection 1 of this Section 204, the Trustee shall receive, in addition to the items required by Section 202 hereof:

A. Irrevocable written instructions to the Trustee, satisfactory to it, to give due notice of redemption of all the Bonds to be redeemed on a redemption date specified in such instructions; and

B. If the Bonds to be refunded are not by their terms subject to redemption within the next succeeding sixty (60) days, irrevocable written instructions to the Trustee, satisfactory to it, to make due publication of the notice provided for in Section 405 to the Holders of the Bonds being refunded.

3. The proceeds, including accrued interest, of the Refunding Bonds of such Series shall be applied simultaneously with the delivery of such Refunding Bonds, as provided in the Supplemental Resolution authorizing such Series.

**Section 205. Additional Bonds.** One or more Series of Additional Bonds may be authenticated and delivered upon original issuance for the purpose of making additional Grants upon the prior written consent of the State Treasurer and upon compliance with the terms and conditions set forth in Section 202 hereof. The proceeds, including accrued interest, of the Additional Bonds of each Series shall be applied simultaneously with the delivery of such Additional Bonds, as provided in the Supplemental Resolution authorizing such Series.

## ARTICLE III

### GENERAL TERMS AND PROVISIONS OF BONDS

#### **Section 301. Obligation of Bonds; Medium of Payment; Form and Date; Letters and Numbers.**

1. The Bonds shall be direct and special obligations of the Authority payable, with respect to principal, Redemption Price and interest, solely from Revenues deposited in the Trust Fund which under the Act and this Resolution may be used for the payment of principal or Redemption Price of and interest on the Bonds of the Authority.

2. The Bonds shall be payable with respect to principal and interest in any coin or currency of the United States of America that at the time of payment is legal tender for the payment of public and private debts.

3. All Bonds of each Series shall be issued in the form of fully registered Bonds. The Bonds of each Series shall be substantially in the form set forth in the Supplemental Resolution authorizing such Series.

4. Each Bond shall be lettered and numbered as provided in this Resolution or the Supplemental Resolution authorizing the Series of which such Bond is a part so as to be distinguished from every other Bond.

5. The Bonds shall be dated as provided in a Supplemental Resolution. Principal of the Bonds shall be payable at maturity upon presentation and surrender thereof at the office of the Paying Agent. Bonds shall bear interest as provided herein, payable by check or bank draft, except as provided otherwise in the case of Bonds registered in the name of Cede & Company as nominee of The Depository Trust Company, to registered owners of such Bonds as of the Record Date provided for such Bonds at their addresses on file with the Trustee who has been designated the Bond Registrar hereunder. After original issue, all Bonds exchanged or transferred shall bear an authentication date that shall be the date authenticated. Interest on Bonds shall accrue from the Interest Payment Date to which interest has been paid next preceding the authentication date unless (1) the date of authentication is also an Interest Payment Date to which interest has been paid, in which event such Bonds shall be dated and shall bear interest from the date of authentication, or (2) the date of authentication is prior to the first Interest Payment Date, in which event such Bonds shall bear interest from the original dated date of such Bonds; provided however that if, as shown on the records of the Trustee, interest on the Bonds of any Series shall be in default, Bonds of such Series issued in lieu of Bonds surrendered for transfer or exchange may be dated as of the date to which interest has been paid in full on the Bonds surrendered.

**Section 302. Legends.** The Bonds of each Series may contain or may have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of this Resolution as may be necessary or desirable to comply with the custom or rules of any securities exchange or commission or brokerage board or otherwise as may be determined by the Authority prior to the authentication and the delivery thereof.

**Section 303 was amended by the Authority's Third Supplemental Bond Resolution adopted August 13, 2014, to delete from the first sentence thereof the phrase "its Chairman or Vice Chairman" and insert in its place the phrase "its Chair, Vice Chair or Executive Director". Prior to such amendment, Section 303 read as follows:**

**Section 303. Execution of Bonds.** The Bonds shall be executed in the name of the Authority by the manual or facsimile signature of its Chairman or Vice Chairman and its corporate seal shall be thereunto affixed, imprinted or otherwise reproduced and attested by the manual or facsimile signature of the Secretary or Assistant Secretary of the Authority. In the event any officer who shall have signed, sealed or attested any of the Bonds shall cease to be such officer of the Authority before the Bonds so signed, sealed or attested shall have been authenticated and delivered by the Trustee or by the Bond Registrar, such Bonds nevertheless may be authenticated and delivered as herein provided as if the person who so signed, sealed or attested such Bonds had not ceased to be such officer. Any Bond of a Series may be signed, sealed or attested on behalf of the Authority by any person who shall hold the proper office at the date of such act, notwithstanding at the date of such Bonds such person may not have held such office.

**From and after August 13, 2014, Section 303 reads as follows:**

**Section 303. Execution of Bonds.** The Bonds shall be executed in the name of the Authority by the manual or facsimile signature of its Chair, Vice Chair or Executive Director and its corporate seal shall be thereunto affixed, imprinted or otherwise reproduced and attested by the manual or facsimile signature of the Secretary or Assistant Secretary of the Authority. In the event any officer who shall have signed, sealed or attested any of the Bonds shall cease to be such officer of the Authority before the Bonds so signed, sealed or attested shall have been authenticated and delivered by the Trustee or by the Bond Registrar, such Bonds nevertheless may be authenticated and delivered as herein provided as if the person who so signed, sealed or attested such Bonds had not ceased to be such officer. Any Bond of a Series may be signed, sealed or attested on behalf of the Authority by any person who shall hold the proper office at the date of such act, notwithstanding at the date of such Bonds such person may not have held such office.

**Section 304. Authentication of Bonds.** The Bonds of each Series shall bear thereon a certificate of authentication duly executed upon issuance by the Trustee or the Bond Registrar. Only such Bonds as shall bear thereon such certificate of authentication, duly executed, shall be entitled to any right or benefit under this Resolution. No Bond shall be valid or obligatory for any purpose unless such certificate of authentication upon such Bond shall have been duly executed by the Trustee, or by the Bond Registrar, as the case may be. Such certificate of authentication by the Trustee or by the Bond Registrar, as the case may be, upon any Bond executed on behalf of the Authority shall be conclusive and the only evidence that the Bond so authenticated has been duly authenticated and delivered under this Resolution and that the Holder thereof is entitled to the benefit of this Resolution.

**Section 305. Transfer, Exchange and Registry of Bonds and Agency Therefor.**

1. The Authority shall cause and hereby appoints the Bond Registrar as its agent to maintain and to keep books for the registration, the exchange and the transfer of Bonds. Upon

presentation of Bonds for transfer or exchange at the designated office of the Bond Registrar, together with (i) a written instrument of transfer satisfactory to the Bond Registrar duly executed by the Holder or by his attorney duly authorized in writing and (ii) a certificate of an Authorized Authority Representative approving such transfer, the Bond Registrar shall register or shall cause to be registered and shall permit to be transferred thereon or to be exchanged any Bond entitled to registration, transfer or exchange. Upon the transfer or exchange of any Bond, the Authority shall execute, and the Trustee or the Bond Registrar shall authenticate and shall deliver a new Bond or Bonds in any Authorized Denomination registered in the name of the Holder or transferee of the same aggregate principal amount, designation and maturity as the surrendered Bond.

2. The Authority and each Fiduciary may deem and treat the person in whose name any Bond shall be registered upon the books of the Authority as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal and Redemption Price, if any, of and interest on such Bond and all such payments so made to any such registered owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither the Authority nor any Fiduciary shall be affected by any notice to the contrary. The Authority agrees to indemnify and save each Fiduciary harmless from and against any and all loss, cost, charge, expense, judgment or liability incurred by it, acting in good faith and without negligence, willful misconduct or default under this Resolution, in so treating such registered owner.

3. All Bonds surrendered in any such exchanges or transfers shall forthwith be delivered to the Bond Registrar and cancelled or retained by the Bond Registrar. For every such exchange or transfer of Bonds, whether temporary or definitive, the Authority or the Bond Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer. Neither the Authority nor the Bond Registrar shall be required (a) to exchange or transfer the Bonds of any Series for a period beginning on the Record Date next preceding an Interest Payment Date for Bonds of a particular Series and ending on such Interest Payment Date, or for a period of fifteen (15) days next preceding the date (as determined by the Trustee) of any selection of Bonds to be redeemed and thereafter until after the mailing of the notice of redemption, or (b) to transfer or exchange any Bonds called for redemption.

**Section 306. Reissuance of Mutilated, Destroyed, Stolen or Lost Bonds.** In case any Outstanding Bond shall be mutilated, destroyed, stolen or lost, the Authority shall execute and the Trustee or the Bond Registrar, as the case may be, shall authenticate and shall deliver a new Bond, of like tenor, number and amount as the Bond so mutilated, destroyed, stolen or lost in exchange and in substitution for and upon surrender of such mutilated Bond or in lieu of and in substitution for the Bond if any, destroyed, stolen or lost upon filing with the Trustee and the Bond Registrar evidence satisfactory to the Authority, the Trustee and the Bond Registrar that such Bond had been destroyed, stolen or lost and proof of ownership thereof, upon furnishing the Authority, the Trustee and the Bond Registrar with indemnity satisfactory to them, upon paying such expenses as the Authority, the Trustee and the Bond Registrar may incur in connection therewith and upon complying with such other reasonable regulations as the Authority, the Trustee and the Bond Registrar may prescribe. In lieu of reissuing a mutilated, destroyed, lost or stolen Bond that is due

and payable, the Trustee and the Bond Registrar may pay the amount due on such Bond to the owner or the Holder thereof, provided all the other requirements of this Section have been met. Any Bond surrendered for transfer shall be cancelled by the Trustee. Any such new Bonds issued pursuant to this Section in substitution for Bonds alleged to be destroyed, stolen or lost shall constitute original additional contractual obligations on the part of the Authority, whether or not the Bonds so alleged to be destroyed, stolen or lost be at any time enforceable by anyone, and shall be equally secured by and entitled to equal and proportionate benefits with all other Bonds issued under this Resolution, in any moneys or securities held by the Authority or any Fiduciary for the benefit of the Bondholders.

**Section 307. Temporary Bonds.** Until the definitive Bonds are prepared, the Authority may execute in the same manner as is provided in Section 303 and, upon the request of the Authority, the Trustee or Bond Registrar shall authenticate and shall deliver in lieu of definitive Bonds but subject to the same provisions, limitations and conditions as the definitive Bonds except as to the denominations thereof and as to exchangeability for registered Bonds, one or more temporary Bonds of the tenor of the definitive Bonds in lieu of which such temporary Bond or Bonds are issued, in Authorized Denominations and with such omissions, insertions and variations as may be appropriate to temporary Bonds for notation thereon of the payment of such interest. The Authority at its own expense shall prepare and shall execute and, upon the surrender for exchange and for cancellation of such temporary Bonds, the Trustee or the Bond Registrar shall authenticate and shall deliver in exchange therefor definitive Bonds of the Authority without charge to the Holder thereof.

**Section 308. Payment of Interest on Bonds; Interest Rights Preserved.**

1. Interest on any Bond which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the person in whose name that Bond is registered at the close of business on the date (hereinafter the “Record Date”) which is the fifteenth (15<sup>th</sup>) day of the calendar month next preceding such Interest Payment Date or such other date as shall be provided in a Supplemental Resolution authorizing any Series of Bonds.

2. Any interest on any Bond which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (hereinafter “Default Interest”) shall forthwith cease to be payable to the registered owner on the relevant Record Date by virtue of having been such owner; and such Default Interest shall be paid by the Authority to the persons in whose names the Bonds are registered at the close of business on a date (hereinafter the “Special Record Date”) for the payment of such Default Interest, which shall be fixed in the following manner. The Authority shall notify the Trustee in writing of the amount of Default Interest proposed to be paid on each Bond and the date of the proposed payment, and at the same time the Authority shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Default Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such Default Interest as in the subsection provided. Thereupon the Trustee shall fix a Special Record Date for the payment of such Default Interest which shall be not more than fifteen (15) nor less than ten (10) days prior to the date of the proposed payment and

not less than ten (10) days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Authority of such Special Record Date and, in the name and at the expense of the Authority, shall cause notice of the proposed payment of such Default Interest and the Special Record Date therefor to be mailed, first class postage prepaid, to each Bondholder at his address as it appears in the Bond register, not less than ten (10) days prior to such Special Record Date.

Subject to the foregoing provisions of this Section, each Bond delivered under this Resolution upon transfer of or in exchange for or in lieu of any other Bond shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Bond.

**Section 309. Cancellation and Destruction of Bonds.** All Bonds paid, either at or before maturity, shall be delivered to the Trustee when such payment is made, and such Bonds shall thereupon be promptly cancelled. Bonds so cancelled may at any time be destroyed by the Trustee, who shall execute a certificate of destruction in duplicate by the signature of one of its authorized officers describing the Bonds so destroyed, and one executed certificate shall be filed with the Authority and the other executed certificate shall be retained by the Trustee.

**Section 310. Capital Appreciation Bonds; Calculation of Accreted Value.** Notwithstanding any other provisions of the Resolution to the contrary, Bonds may be issued as Capital Appreciation Bonds. Such Capital Appreciation Bonds shall be issued in fully registered form upon the terms and conditions set forth in a Supplemental Resolution duly adopted prior to the authentication and delivery of the Capital Appreciation Bonds upon original issuance.

Any Supplemental Resolution of the Authority authorizing the issuance of Capital Appreciation Bonds shall provide for the method of determining the Accreted Value of the Bonds from the time of original issuance to any subsequent date or time of required valuation. The Accreted Value of Capital Appreciation Bonds Outstanding shall be used for the purpose of determining any required principal amount of such Bonds for Bondholders' consents or approvals, the Redemption Price of such Bonds or the priority of any claim for payment of interest or principal upon the occurrence of an Event of Default.



## ARTICLE IV

### REDEMPTION OF BONDS

**Section 401. Privilege of Redemption and Redemption Price.** Bonds subject to redemption prior to maturity pursuant to this Resolution or a Supplemental Resolution shall be redeemable, upon notice as provided in this Article IV, at such times, at such Redemption Prices and upon such terms, in addition to the terms contained in this Article IV, as may be specified in the Supplemental Resolution authorizing such Series. The written consent of the State Treasurer shall be received by the Authority prior to the redemption of any Bonds or Series of Bonds, except for the redemption of Bonds pursuant to mandatory sinking fund redemption. A copy of such written consent of the State Treasurer shall be received by the Trustee prior to the mailing of the notice of redemption in accordance with Section 405 hereof. Except as may be otherwise provided in a Supplemental Resolution authorizing a Series of Bonds, any Series of Bonds may be redeemed in whole or in part on any date at the option of the Authority in accordance with this Resolution or a Supplemental Resolution.

**Section 402. Redemption at the Election or Direction of the Authority.** In the case of any redemption of Bonds at the election or direction of the Authority, upon the consent of the State Treasurer, the Authority shall give written notice to the Trustee of its election or direction to so redeem, which notice shall include a copy of the written consent of the State Treasurer, if required, in accordance herewith, of the redemption date, of the Series, and of the principal amounts of the Bonds of each maturity of such Series to be redeemed (which Series, maturities and principal amounts thereof to be redeemed shall be determined by the Authority upon the consent of the State Treasurer, subject to any limitations with respect thereto contained in this Resolution). Such notice shall be given at least sixty (60) days prior to the redemption date or such shorter period as shall be acceptable to the Trustee. In the event notice of redemption shall have been given as in Section 405 provided, there shall be paid on or prior to the redemption date to the appropriate Paying Agents an amount in cash or Investment Obligations which, in addition to other moneys, if any, available therefor held by such Paying Agents, will be sufficient to redeem on the redemption date at the Redemption Price thereof, plus interest accrued thereon and unpaid to the redemption date, all of the Bonds to be redeemed. The Authority shall promptly notify the Trustee in writing of all such payments by it to such Paying Agents.

**Section 403. Redemption Otherwise Than at the Authority's Election or Direction.** Whenever by the terms of this Resolution the Trustee is required or authorized to redeem Bonds otherwise than at the election or direction of the Authority, provided that if such redemption is required to be consented to in writing by the State Treasurer, such written consent has been delivered to the Trustee, the Trustee shall (i) select the Bonds or portions of Bonds to be redeemed, (ii) give the notice of redemption and (iii) pay out of moneys available therefor the Redemption Price thereof, plus interest accrued thereon and unpaid to the redemption date, to the appropriate Paying Agents in accordance with the terms of this Article IV.

**Section 404 was amended by the Authority's Third Supplemental Bond Resolution adopted August 13, 2014, to delete from the first sentence thereof the phrase "in such manner as the**

**Trustee in its sole discretion may deem fair and appropriate” and insert in its place the phrase “using its customary procedures”, and to insert at the end thereof a new sentence. Prior to such amendment, Section 404 read as follows:**

**Section 404. Selection of Bonds to be Redeemed.** Unless otherwise provided in this Resolution, if less than all of the Bonds of like maturity of any Series shall be called for prior redemption, the particular Bonds or portions of Bonds to be redeemed shall be selected at random by the Trustee in such manner as the Trustee in its sole discretion may deem fair and appropriate; provided, however, that the portion of any Bond of a denomination of more than \$5,000 to be redeemed shall be in the principal amount of \$5,000 or a multiple thereof, and that, in selecting portions of such Bonds for redemption, the Trustee shall treat each such Bond as representing that number of Bonds of \$5,000 denomination which is obtained by dividing by \$5,000 the principal amount of such Bond to be redeemed in part.

**From and after August 13, 2014, Section 404 reads as follows:**

**Section 404. Selection of Bonds to be Redeemed.** Unless otherwise provided in this Resolution, if less than all of the Bonds of like maturity of any Series shall be called for prior redemption, the particular Bonds or portions of Bonds to be redeemed shall be selected at random by the Trustee using its customary procedures; provided, however, that the portion of any Bond of a denomination of more than \$5,000 to be redeemed shall be in the principal amount of \$5,000 or a multiple thereof, and that, in selecting portions of such Bonds for redemption, the Trustee shall treat each such Bond as representing that number of Bonds of \$5,000 denomination which is obtained by dividing by \$5,000 the principal amount of such Bond to be redeemed in part. In the case of any Bonds of a series and maturity subject to mandatory sinking fund redemption are called for redemption in part only, an Authorized Authority Representative may designate, with the consent of the State Treasurer, whether such partial redemption shall be credited against the principal amount due at maturity or against particular Sinking Fund Installments with respect to such Bonds.

**Section 405 was amended by the Authority’s Third Supplemental Bond Resolution adopted August 13, 2014, to delete therefrom the second sentence thereof and insert two new sentences in its place. Prior to such amendment, Section 405 read as follows:**

**Section 405. Notice of Redemption.** When the Trustee shall receive notice from the Authority of its election or direction to redeem Bonds pursuant to Section 402 hereof, including written notice from the State Treasurer of his or her consent to the redemption of the Bonds, and when redemption of Bonds is authorized or required pursuant to Section 403 and the Trustee shall have received written notice from the State Treasurer of his or her consent to the redemption of the Bonds, the Trustee shall give notice, in the name of the Authority, of the redemption of such Bonds, which notice shall specify the Series and maturities of the Bonds to be redeemed, the Redemption Price, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Bonds of any like Series and maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds so to be redeemed, and, in the case of 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 Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of Bonds to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable. Such notice shall be mailed by the Trustee, via first class mail, postage prepaid, not less than thirty (30) days nor more than sixty (60) days prior to the redemption date, to registered owners of any Bonds or portions of Bonds which are to be redeemed, at their last addresses appearing upon the registry books. Failure to give notice by mail, or any defect in the notice to the registered owner of any Bonds which are to be redeemed shall not affect the validity of the proceedings for the redemption of any other Bonds. Any notice which is mailed in the manner herein provided shall be conclusively presumed to have been duly given, whether or not the Holder receives the notice.

**From and after August 13, 2014, Section 405 reads as follows:**

**Section 405. Notice of Redemption.** When the Trustee shall receive notice from the Authority of its election or direction to redeem Bonds pursuant to Section 402 hereof, including written notice from the State Treasurer of his or her consent to the redemption of the Bonds, and when redemption of Bonds is authorized or required pursuant to Section 403 and the Trustee shall have received written notice from the State Treasurer of his or her consent to the redemption of the Bonds, the Trustee shall give notice, in the name of the Authority, of the redemption of such Bonds, which notice shall specify the Series and maturities of the Bonds to be redeemed, the Redemption Price, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Bonds of any like Series and maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds so to be redeemed, and, in the case of Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Any notice of redemption (other than mandatory sinking fund redemption) may specify that the redemption is contingent upon the deposit of moneys with the Trustee in an amount sufficient to pay the Redemption Price of all Bonds or portions thereof which are to be redeemed on such date. Such notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of a specified portion of the principal amount thereof in the case of Bonds to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date (unless the notice stated that the redemption is contingent upon the deposit of funds and such deposit has not been made) interest thereon shall cease to accrue and be payable. Such notice shall be mailed by the Trustee, via first class mail, postage prepaid, not less than thirty (30) days nor more than sixty (60) days prior to the redemption date, to registered owners of any Bonds or portions of Bonds which are to be redeemed, at their last addresses appearing upon the registry books. Failure to give notice by mail, or any defect in the notice to the registered owner of any Bonds which are to be redeemed shall not affect the validity of the proceedings for the redemption of any other Bonds. Any notice which is mailed in the manner herein provided shall be conclusively presumed to have been duly given, whether or not the Holder receives the notice.

**Section 406. Payment of Redeemed Bonds.** Notice having been given in the manner provided in Section 405, the Bonds or portions thereof so called for redemption shall become due and payable on the redemption date so designated at the Redemption Price, plus interest accrued thereon and unpaid to the redemption date, and, upon presentation and surrender thereof at the office specified in such notice, such Bonds, or portions thereof, shall be paid at the Redemption Price, plus interest accrued thereon and unpaid to the redemption date. If there shall be called for redemption less than all of a Bond, the Authority shall execute and the Trustee shall authenticate and the Paying Agent shall deliver, upon the surrender of such Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the Bonds so surrendered, Bonds of like Series and maturity in any of the Authorized Denominations. If, on the redemption date, moneys for the redemption of all the Bonds or portions thereof of any like Series and maturity to be redeemed, together with interest thereon to the redemption date, shall be held by the Paying Agents so as to be available therefor on said date and if notice of redemption shall have been given as aforesaid, then, from and after the redemption date interest on the Bonds or portions thereof of such Series and maturity so called for redemption shall cease to accrue and become payable. If said moneys shall not be so available on the redemption date, such Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

## ARTICLE V

### REVENUES AND FUNDS

#### **Section 501. Establishment of Funds.**

(1) The Authority hereby establishes and creates the following special funds:

Higher Education Facilities Trust Fund (in which there may be established, by written direction of the Authority, separate subaccounts for each of the grantees)

Debt Service Fund

Sinking Fund

Rebate Fund.

(2) Each of said funds shall be held by the Trustee.

**Section 502. Pledge Securing Bonds.** The Revenues and all moneys, securities and funds which are held or set aside or which are to be held or set aside pursuant to the terms of the Resolution except the Rebate Fund or which are held in any funds which are established and created under the Resolution are hereby pledged to secure the payment of the principal of, redemption premium, if any, and interest on the Bonds. This pledge shall be valid and binding from and after the date of the first delivery by the Trustee of the first Bond which is authenticated and delivered under the terms of the Resolution. Except to the extent provided above, the Revenues and other moneys, securities and funds which are so pledged and which are thereafter received by the Authority, and any other moneys hereby pledged, shall immediately be subject to the lien of this pledge without any physical delivery thereof or further act. The lien of this pledge and the obligation to perform the contractual provisions hereby made shall have priority over any or all other obligations issued by the Authority and all other liabilities of the Authority. The lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of whether such parties have notice thereof. All payments by the State to the Authority for deposit in the Trust Fund are subject to and dependent upon appropriations being made from time to time by the State. There is no legal obligation on the State to make any such appropriations.

**Section 503. Deposit of Bond Proceeds and Revenues.** The proceeds of the Series 1995A Bonds and any Additional Bonds shall be deposited in the Trust Fund. All Revenues payable to the Authority by the State shall be paid directly to the Trustee. The Trustee shall be accountable only for moneys which are actually so deposited. All such amounts shall be paid by the Trustee into the Trust Fund. Any moneys, other than the foregoing, which are received by the Authority from any other source may also be deposited in the Trust Fund. Any moneys which are held in the Trust Fund shall be invested, at the oral direction of an Authorized Authority Representative (promptly confirmed in writing), by the Trustee in Investment Obligations.

**Section 504 was amended by the Authority's Third Supplemental Bond Resolution adopted August 13, 2014, to amend the first subsection of Section 504, add a new subsection prior to the last subsection and amend the last subsection. Prior to such amendment, Section 504 read as follows:**

**Section 504. Application of the Trust Fund.**

1. The Trustee shall pay costs of issuance of any Bonds from the Trust Fund at the direction of the Authority.
2. The Trustee shall pay the amount of any Grant from the Trust Fund. Grants may be paid to the grantees or to the Authority, in such amounts as the Authority may direct in writing.
3. The Trustee shall pay the amount of any investment earnings and interest income in the Trust Fund from time to time to the State or to the Authority as the Authority may direct in writing.
4. Immediately prior to each Interest Payment Date, the Trustee shall withdraw from the Trust Fund and make the payments:

First: Into the Debt Service Fund, to the extent, if any, needed to increase the amount which is on deposit in the Debt Service Fund so that said amount equals the Debt Service payable on the next Interest Payment Date; provided, however, that for purposes of this Section, Debt Service shall not include any amounts which are payable into the Sinking Fund pursuant to the terms of paragraph Second below;

Second: Into the Sinking Fund, to the extent, if any, needed to increase the amount which is on deposit in the Sinking Fund so that said amount equals the amount of all Sinking Fund Installments which are due and payable on or before the next Interest Payment Date.

5. Any amounts on deposit in the Trust Fund not required for the purposes of the Trust Fund may be withdrawn from the Trust Fund and paid by the Trustee to the Authority as the Authority so directs in writing consistent with the Act.

**From and after August 13, 2014, Section 504 reads as follows:**

**Section 504. Application of the Trust Fund.**

1. The Trustee shall pay costs of issuance of any Bonds and administrative costs associated with the approval process from the Trust Fund at the direction of the Authority.

2. The Trustee shall pay the amount of any Grant from the Trust Fund. Grants may be paid to the grantees or to the Authority, in such amounts as the Authority may direct in writing.

3. The Trustee shall pay the amount of any investment earnings and interest income in the Trust Fund from time to time to the State or to the Authority as the Authority may direct in writing.

4. Immediately prior to each Interest Payment Date, the Trustee shall withdraw from the Trust Fund and make the payments:

First: Into the Debt Service Fund, to the extent, if any, needed to increase the amount which is on deposit in the Debt Service Fund so that said amount equals the Debt Service payable on the next Interest Payment Date; provided, however, that for purposes of this Section, Debt Service shall not include any amounts which are payable into the Sinking Fund pursuant to the terms of paragraph Second below;

Second: Into the Sinking Fund, to the extent, if any, needed to increase the amount which is on deposit in the Sinking Fund so that said amount equals the amount of all Sinking Fund Installments which are due and payable on or before the next Interest Payment Date.

5. As soon as reasonably practicable following receipt of such funds following a non-payment of Debt Service resulting from the occurrence of an Event of Non-Appropriation, the Trustee shall withdraw from the Trust Fund and make the payments into the Debt Service Fund and/or the Sinking Fund in an amount equal to any such unpaid Debt Service on the applicable Bonds.

6. Any amount on deposit in the Trust Fund, derived from State appropriations made for the purpose of paying Debt Service on the Bonds, not required for the purpose of paying such Debt Service or making transfers to the Debt Service Fund or the Sinking Fund for such purpose, shall be promptly withdrawn from the Trust Fund and paid to the State Treasurer. Any other amounts on deposit in the Trust Fund not required for the purposes of the Trust Fund may be withdrawn from the Trust Fund and paid by the Trustee to the Authority as the Authority so directs in writing consistent with the Act.

**Section 505 was amended by the Authority's Third Supplemental Bond Resolution adopted August 13, 2014, to add two new subsections prior to the last subsection of Section 505. Prior to such amendment, Section 505 read as follows:**

**Section 505. Application and Investment of Debt Service Fund.**

1. Immediately prior to each Interest Payment Date established for the Bonds, the Trustee shall withdraw from the Debt Service Fund an amount which is equal to the interest which

is due and payable on the Bonds on such Interest Payment Date, and shall cause the same to be deposited with the Paying Agent who shall apply the same to the payment of said interest when due.

2. If the withdrawals which are required to be made under the provisions of paragraph 1 of this Section with respect to the same and every prior date shall have been made, the Trustee shall withdraw from the Debt Service Fund, prior to each principal maturity date of the Bonds, an amount which is equal to the principal amount of Bonds, if any, maturing on said day, and shall cause the same to be deposited with the Paying Agent who shall apply such amounts to the payment of the principal of said Bonds when due.

3. If the withdrawals which are required to be made under the provisions of paragraph 1 and paragraph 2 of this Section with respect to the same and every prior date shall have been made, the Trustee shall withdraw from time to time from the Debt Service Fund and pay into any account which is maintained in the Sinking Fund the amount which is sufficient to reimburse said account for any amounts which have been theretofore paid from said account for or on account of accrued interest on Bonds which have been purchased in accordance with the provisions of Section 506 hereof.

4. Any moneys which are on deposit in the Debt Service Fund shall be invested, at the oral direction of an Authorized Authority Representative (promptly confirmed in writing), by the Trustee in Investment Obligations; provided, however, that the maturity of every such Investment Obligation shall not be later than the time when such funds are needed to be applied to pay the interest on or the principal of any Bonds. Any investment earnings or interest income which is derived from the investment of moneys which are on deposit in the Debt Service Fund shall be deposited in the Trust Fund or the Rebate Fund, as may be required.

5. No amount shall be withdrawn from or paid out of the Debt Service Fund except as expressly provided in this Section or Section 406 hereof.

**From and after August 13, 2014, Section 505 reads as follows:**

**Section 505. Application and Investment of Debt Service Fund.**

1. Immediately prior to each Interest Payment Date established for the Bonds, the Trustee shall withdraw from the Debt Service Fund an amount which is equal to the interest which is due and payable on the Bonds on such Interest Payment Date, and shall cause the same to be deposited with the Paying Agent who shall apply the same to the payment of said interest when due.

2. If the withdrawals which are required to be made under the provisions of paragraph 1 of this Section with respect to the same and every prior date shall have been made, the Trustee shall withdraw from the Debt Service Fund, prior to each principal maturity date of the Bonds, an amount which is equal to the principal amount of Bonds, if any, maturing on said day, and shall cause the same to be deposited with the Paying Agent who shall apply such amounts to the payment of the principal of said Bonds when due.



3. If the withdrawals which are required to be made under the provisions of paragraph 1 and paragraph 2 of this Section with respect to the same and every prior date shall have been made, the Trustee shall withdraw from time to time from the Debt Service Fund and pay into any account which is maintained in the Sinking Fund the amount which is sufficient to reimburse said account for any amounts which have been theretofore paid from said account for or on account of accrued interest on Bonds which have been purchased in accordance with the provisions of Section 506 hereof.

4. Any moneys which are on deposit in the Debt Service Fund shall be invested, at the oral direction of an Authorized Authority Representative (promptly confirmed in writing), by the Trustee in Investment Obligations; provided, however, that the maturity of every such Investment Obligation shall not be later than the time when such funds are needed to be applied to pay the interest on or the principal of any Bonds. Any investment earnings or interest income which is derived from the investment of moneys which are on deposit in the Debt Service Fund shall be deposited in the Trust Fund or the Rebate Fund, as may be required.

5. Notwithstanding the foregoing, as soon as reasonably practicable following receipt of any funds pursuant to paragraph 5 of Section 504 hereof, the Trustee shall withdraw such amount from the Debt Service Fund and shall cause the same to be deposited with the Paying Agent, who shall apply such amounts to the payment of such unpaid Debt Service on the applicable Bonds.

6. Any amount on deposit in the Debt Service Fund, derived from State appropriations made for the purpose of paying Debt Service on the Bonds, not required for the purpose of paying such Debt Service, shall be promptly withdrawn from the Debt Service Fund and paid to the State Treasurer.

7. No amount shall be withdrawn from or paid out of the Debt Service Fund except as expressly provided in this Section or Section 406 hereof.

**Section 506 was amended in the Authority's Third Supplemental Bond Resolution adopted August 13, 2014, to add two new subsections prior to the last subsection of Section 506. Prior to such amendment, Section 506 read as follows:**

**Section 506. Application and Investment of Sinking Fund.**

1. The Trustee shall establish and shall maintain in the Sinking Fund a separate account for each Series of Term Bonds for which Sinking Fund Installments are established in accordance with the terms of the Resolution. Moneys which are paid into the Sinking Fund pursuant to the terms of Section 504 hereof shall, upon receipt, be segregated and shall be set aside in such accounts in proportion to the respective amounts of the Sinking Fund Installments which are payable at the next Payment Date with respect to the particular Term Bonds for which each such account is maintained. Moneys which are paid into the Sinking Fund pursuant to the terms of Section 505 hereof shall, upon receipt, be set aside in the account which is maintained therein with respect to which such payment is a reimbursement. Moneys which are paid into the Sinking Fund pursuant to the terms of paragraph 2 of this Section on account of any particular Sinking

Fund Installment shall be set aside in the account which is maintained therein for the particular Term Bonds which are entitled to said Sinking Fund Installment.

2. The Trustee shall apply the moneys in any account which has been established in the Sinking Fund, as provided in paragraph 1 of this Section, to the purchase or the redemption of the Bonds for which such account is maintained, in the manner provided in this Section, or to the payment of the principal thereof at maturity, as the case may be. If on any date there shall be moneys in any such account and none of the Term Bonds for which such account was established shall be Outstanding, said account shall be closed and the moneys which are on deposit therein shall (upon the written direction of the Authority) be withdrawn therefrom by the Trustee and (a) shall be segregated and set aside in the other accounts in the Sinking Fund as if and with the same effect as if paid into the Sinking Fund by the Authority on said date pursuant to the terms of Section 504 hereof, or (b) if no other accounts shall be maintained in the Sinking Fund, such amount shall be paid into the Trust Fund or the Rebate Fund as may be required.

3. The purchase price which shall be paid by the Trustee (excluding accrued interest but including any brokerage and other charges) for any Bond which shall be purchased pursuant to the terms of this Section shall not exceed the Redemption Price of such Bond which is applicable upon its redemption through the application of the moneys which are available for such purpose on the next date on which such Bond could be redeemed in accordance with its terms by operation of the Sinking Fund. Subject to the limitations hereinbefore set forth or referred to in this Section, at the written direction of the Authority, the Trustee shall purchase Bonds at such times, for such prices, in such amounts and in such manner (whether after advertisement for tenders or otherwise) as the Trustee in its sole discretion may determine and as may be possible with the amount of moneys which are available therefor in the Sinking Fund.

4. As soon as practicable after the sixtieth (60<sup>th</sup>) day and before the thirtieth (30<sup>th</sup>) day prior to the date of each Sinking Fund Installment, the Trustee shall select for redemption on such Sinking Fund Installment due date such amount of Term Bonds of the Series for which the Sinking Fund Installment was established as will exhaust all moneys which are required to have been deposited in the Sinking Fund as of such Sinking Fund Installment due date. In addition, if the Authority delivers to the Trustee prior to such sixtieth (60<sup>th</sup>) day Bonds subject to redemption by operation of the Sinking Fund on the date of the next Sinking Fund Installment, the amount of such Sinking Fund Installment shall be reduced by an amount equal to the principal amount of the Bonds so delivered. Accrued interest on the Bonds which are to be redeemed shall be paid from the Debt Service Fund and all expenses which are incurred by the Trustee in connection with such redemption shall be paid by the Authority. All Bonds which are redeemed under the provisions of this Section shall be redeemed in the manner provided in Article IV of the Resolution, and prior to the date fixed for redemption the Trustee shall withdraw from the Sinking Fund the amount of the Redemption Price of such Bonds, and such amount shall be transferred to the Paying Agent by the Trustee and such amount shall be applied by the Paying Agent to the redemption of such Bonds on the date fixed for redemption.

5. In lieu of purchasing or redeeming Term Bonds prior to their stated maturity date pursuant to the terms of paragraphs (3) through (5) hereof, the Authority may elect to retain the

funds which have been deposited into the Sinking Fund, or any portion thereof, until the stated maturity date of such Bonds, and an Authorized Authority Representative may direct the Trustee to invest such funds in Investment Obligations; provided, however, that each such Investment Obligation shall mature not later than the stated maturity date of such Bonds. Such election shall be made, as to all or part of the Term Bonds of such Series, on or prior to the date that such Term Bonds are authenticated and delivered. Funds which are retained in the Sinking Fund at the election of the Authority pursuant to the terms of this paragraph shall be invested by the Trustee at the oral direction of the Authority (promptly confirmed in writing). In the event that any Investment Obligations which are purchased pursuant to the terms of this paragraph mature or are redeemed by the issuer thereof prior to the maturity date of the Term Bonds for which the Sinking Fund Installments were made, the Trustee, at the oral direction of the Authority (promptly confirmed in writing), shall either (i) reinvest the moneys in accordance with the terms of this paragraph, or (ii) purchase Term Bonds with respect to which the Sinking Fund Installments were made at any time at prices not exceeding the principal amount thereof, or (iii) redeem such Term Bonds in accordance with the provisions of the Resolution. Moneys which are on deposit in the Sinking Fund shall not be used to pay more than the principal amount of the Bonds which are to be redeemed. The Authority shall not make any election which is authorized herein unless, in the opinion of Bond Counsel to the Authority, such election and investment will not cause the interest on the Bonds to become subject to Federal income taxation.

6. Investment income which is derived from the investment of any funds which are held in the Sinking Fund shall be deposited by the Trustee, upon receipt, in the Trust Fund or the Rebate Fund as may be required.

7. Any moneys which are on deposit in the Sinking Fund shall be invested at the oral direction of an Authorized Authority Representative (promptly confirmed in writing) in Investment Obligations; provided, however, that, other than moneys which are invested pursuant to paragraph (6) above, the maturity of every such Investment Obligation shall not be later than the time when such funds are needed for the purposes of the Sinking Fund.

8. If, immediately prior to the date which is established for the payment of a Sinking Fund Installment, all withdrawals or payments from the Sinking Fund which are required to be made pursuant to any other provision of the Resolution with respect to the same and every prior date shall have been made, and the amount which is on deposit in the Sinking Fund exceeds the aggregate principal amount of all Bonds which are then Outstanding for which Sinking Fund Installments have been established, such excess may be transferred by the Trustee, upon the written direction of the Authority, and paid into the Trust Fund.

9. No amount, if any, shall be withdrawn from or paid out of the Sinking Fund except as expressly provided in this Section or Section 406 hereof.

**From and after August 13, 2014, Section 506 reads as follows:**

**Section 506. Application and Investment of Sinking Fund.**

1. The Trustee shall establish and shall maintain in the Sinking Fund a separate account for each Series of Term Bonds for which Sinking Fund Installments are established in accordance with the terms of the Resolution. Moneys which are paid into the Sinking Fund pursuant to the terms of Section 504 hereof shall, upon receipt, be segregated and shall be set aside in such accounts in proportion to the respective amounts of the Sinking Fund Installments which are payable at the next Payment Date with respect to the particular Term Bonds for which each such account is maintained. Moneys which are paid into the Sinking Fund pursuant to the terms of Section 505 hereof shall, upon receipt, be set aside in the account which is maintained therein with respect to which such payment is a reimbursement. Moneys which are paid into the Sinking Fund pursuant to the terms of paragraph 2 of this Section on account of any particular Sinking Fund Installment shall be set aside in the account which is maintained therein for the particular Term Bonds which are entitled to said Sinking Fund Installment.

2. The Trustee shall apply the moneys in any account which has been established in the Sinking Fund, as provided in paragraph 1 of this Section, to the purchase or the redemption of the Bonds for which such account is maintained, in the manner provided in this Section, or to the payment of the principal thereof at maturity, as the case may be. If on any date there shall be moneys in any such account and none of the Term Bonds for which such account was established shall be Outstanding, said account shall be closed and the moneys which are on deposit therein shall (upon the written direction of the Authority) be withdrawn therefrom by the Trustee and (a) shall be segregated and set aside in the other accounts in the Sinking Fund as if and with the same effect as if paid into the Sinking Fund by the Authority on said date pursuant to the terms of Section 504 hereof, or (b) if no other accounts shall be maintained in the Sinking Fund, such amount shall be paid into the Trust Fund or the Rebate Fund as may be required.

3. The purchase price which shall be paid by the Trustee (excluding accrued interest but including any brokerage and other charges) for any Bond which shall be purchased pursuant to the terms of this Section shall not exceed the Redemption Price of such Bond which is applicable upon its redemption through the application of the moneys which are available for such purpose on the next date on which such Bond could be redeemed in accordance with its terms by operation of the Sinking Fund. Subject to the limitations hereinbefore set forth or referred to in this Section, at the written direction of the Authority, the Trustee shall purchase Bonds at such times, for such prices, in such amounts and in such manner (whether after advertisement for tenders or otherwise) as the Trustee in its sole discretion may determine and as may be possible with the amount of moneys which are available therefor in the Sinking Fund.

4. As soon as practicable after the sixtieth (60<sup>th</sup>) day and before the thirtieth (30<sup>th</sup>) day prior to the date of each Sinking Fund Installment, the Trustee shall select for redemption on such Sinking Fund Installment due date such amount of Term Bonds of the Series for which the Sinking Fund Installment was established as will exhaust all moneys which are required to have been deposited in the Sinking Fund as of such Sinking Fund Installment due date. In addition, if the

Authority delivers to the Trustee prior to such sixtieth (60<sup>th</sup>) day Bonds subject to redemption by operation of the Sinking Fund on the date of the next Sinking Fund Installment, the amount of such Sinking Fund Installment shall be reduced by an amount equal to the principal amount of the Bonds so delivered. Accrued interest on the Bonds which are to be redeemed shall be paid from the Debt Service Fund and all expenses which are incurred by the Trustee in connection with such redemption shall be paid by the Authority. All Bonds which are redeemed under the provisions of this Section shall be redeemed in the manner provided in Article IV of the Resolution, and prior to the date fixed for redemption the Trustee shall withdraw from the Sinking Fund the amount of the Redemption Price of such Bonds, and such amount shall be transferred to the Paying Agent by the Trustee and such amount shall be applied by the Paying Agent to the redemption of such Bonds on the date fixed for redemption.

5. In lieu of purchasing or redeeming Term Bonds prior to their stated maturity date pursuant to the terms of paragraphs (3) through (5) hereof, the Authority may elect to retain the funds which have been deposited into the Sinking Fund, or any portion thereof, until the stated maturity date of such Bonds, and an Authorized Authority Representative may direct the Trustee to invest such funds in Investment Obligations; provided, however, that each such Investment Obligation shall mature not later than the stated maturity date of such Bonds. Such election shall be made, as to all or part of the Term Bonds of such Series, on or prior to the date that such Term Bonds are authenticated and delivered. Funds which are retained in the Sinking Fund at the election of the Authority pursuant to the terms of this paragraph shall be invested by the Trustee at the oral direction of the Authority (promptly confirmed in writing). In the event that any Investment Obligations which are purchased pursuant to the terms of this paragraph mature or are redeemed by the issuer thereof prior to the maturity date of the Term Bonds for which the Sinking Fund Installments were made, the Trustee, at the oral direction of the Authority (promptly confirmed in writing), shall either (i) reinvest the moneys in accordance with the terms of this paragraph, or (ii) purchase Term Bonds with respect to which the Sinking Fund Installments were made at any time at prices not exceeding the principal amount thereof, or (iii) redeem such Term Bonds in accordance with the provisions of the Resolution. Moneys which are on deposit in the Sinking Fund shall not be used to pay more than the principal amount of the Bonds which are to be redeemed. The Authority shall not make any election which is authorized herein unless, in the opinion of Bond Counsel to the Authority, such election and investment will not cause the interest on the Bonds to become subject to Federal income taxation.

6. Investment income which is derived from the investment of any funds which are held in the Sinking Fund shall be deposited by the Trustee, upon receipt, in the Trust Fund or the Rebate Fund as may be required.

7. Any moneys which are on deposit in the Sinking Fund shall be invested at the oral direction of an Authorized Authority Representative (promptly confirmed in writing) in Investment Obligations; provided, however, that, other than moneys which are invested pursuant to paragraph (6) above, the maturity of every such Investment Obligation shall not be later than the time when such funds are needed for the purposes of the Sinking Fund.

8. If, immediately prior to the date which is established for the payment of a Sinking Fund Installment, all withdrawals or payments from the Sinking Fund which are required to be made pursuant to any other provision of the Resolution with respect to the same and every prior date shall have been made, and the amount which is on deposit in the Sinking Fund exceeds the aggregate principal amount of all Bonds which are then Outstanding for which Sinking Fund Installments have been established, such excess may be transferred by the Trustee, upon the written direction of the Authority, and paid into the Trust Fund.

9. Notwithstanding the foregoing, as soon as reasonably practicable following receipt of any funds pursuant to paragraph 5 of Section 504 hereof, the Trustee shall withdraw such amount from the Sinking Fund and shall cause the same to be deposited with the Paying Agent, who shall apply such amounts to the payment of such unpaid Debt Service on the applicable Bonds.

10. Any amount on deposit in the Sinking Fund, derived from State appropriations made for the purpose of paying Debt Service on the Bonds, not required for the purpose of paying such Debt Service, shall be promptly withdrawn from the Sinking Fund and paid to the State Treasurer.

11. No amount, if any, shall be withdrawn from or paid out of the Sinking Fund except as expressly provided in this Section or Section 406 hereof.

**Section 507 was amended in the Authority's Third Supplemental Bond Resolution adopted August 13, 2014, to delete the last subsection and insert two new subsections at the end of Section 507. Prior to such amendment, Section 507 read as follows:**

**Section 507. Application and Investment of Rebate Fund.**

1. All moneys which are subject to rebate to the United States Government pursuant to the provisions of the Code (in order to ensure that interest on the Bonds is exempt from Federal income taxation), as determined in accordance with the terms of this Section, shall be deposited in the Rebate Fund. Moneys which are on deposit in the Rebate Fund shall be invested by the Trustee, at the oral direction of an Authorized Authority Representative (promptly confirmed in writing), in Investment Obligations; provided, however, that such investments shall mature in such amounts and at such times as will permit funds to be available when needed to make payments to the United States Government in accordance with the terms of this Section. All income from such Investment Obligations shall be held within the Rebate Fund.

2. Amounts in the Rebate Fund shall be applied to make rebate payments from time to time as required by the Code. If moneys in the Rebate Fund are not sufficient to make any required rebate payment, the Authority shall make moneys available for such payment from any source available for such purpose.

**From and after August 13, 2014, Section 507 reads as follows:**

**Section 507. Application and Investment of Rebate Fund.**

1. All moneys which are subject to rebate to the United States Government pursuant to the provisions of the Code (in order to ensure that interest on the Bonds is exempt from Federal income taxation), as determined in accordance with the terms of this Section, shall be deposited in the Rebate Fund. Moneys which are on deposit in the Rebate Fund shall be invested by the Trustee, at the oral direction of an Authorized Authority Representative (promptly confirmed in writing), in Investment Obligations; provided, however, that such investments shall mature in such amounts and at such times as will permit funds to be available when needed to make payments to the United States Government in accordance with the terms of this Section. All income from such Investment Obligations shall be held within the Rebate Fund.

2. 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, at the times and in the amounts set forth in the arbitrage and tax certificate or similar certificates delivered in connection with each Series of Bonds or as otherwise advised in writing by Bond Counsel.

3. The Trustee shall, at the written direction of the Authority, withdraw from and pay out of the Rebate Fund, any amount which is then on deposit in the Rebate Fund in excess of the amount which is then reasonably required, in the opinion of the Authority, to be reserved for payment to the United States in respect of such Bonds pursuant to Section 148 of the Code. All amounts which are so withdrawn by the Trustee from the Rebate Fund shall forthwith upon withdrawal be paid and/or deposited in accordance with the written direction of the Authority.

**Section 508. Funds Held for Payment of Bonds.** The amounts which are held by the Trustee or which are applied by the Paying Agent for the payment of the principal or Redemption Price of or interest which is due on any date with respect to particular Bonds shall, subsequent to the payment date and pending such payment, be set aside and held in trust for the holders of the Bonds, who are entitled to such payment, and for the purposes of the Resolution, such principal or Redemption Price, and interest after the date fixed for the payment thereof, shall no longer be considered to be unpaid.

**Section 509. Cancellation of Bonds.** All Bonds, which are purchased, redeemed or paid shall, if surrendered to the Authority or to any Paying Agent, shall be cancelled and delivered to the Registrar; or if such Bonds shall be surrendered to the Registrar, shall be cancelled by it. Such Bonds shall not be deemed to be Outstanding under the terms of the Resolution and no Bonds shall be issued in lieu thereof. All such Bonds shall be cancelled by the Registrar and may be destroyed or returned and a certificate thereof shall be delivered by the Registrar to the Authority.

**Section 510. Annual Request for Appropriation.**

1. The Authority shall request in each State fiscal year, in time to be included in the Governor's budget message to the State legislature for the ensuing State fiscal year, an appropriation of all amounts necessary for payment of Debt Service on the Bonds. If such amount is not included in the enacted General Appropriations Act of the State for such ensuing State fiscal year, the Authority shall request the Governor to ask the State legislature for a supplemental appropriation of such amount. The Authority shall give the Trustee written notice within thirty

(30) business days of (i) any failure of the State to include an appropriation for such Debt Service in any General Appropriations Act and (ii) the enactment of any such supplemental appropriation.

2. The Bonds shall not, in any way, be a debt or liability of the State or any political subdivision thereof except the Authority, and shall not create or constitute any indebtedness, liability or obligation of the State or any political subdivision thereof, except the Authority, or be or constitute a pledge of the faith and credit of the State or any political subdivision thereof. The State has no legal obligation to appropriate any amount for Debt Service on the Bonds. If the State fails to appropriate the required amounts, there is no other source of payment for the Bonds, except proceeds of the Bonds and investment earnings and income that may be on deposit in the Trust Fund from time to time.

3. The Bonds are payable solely from appropriations made by the State in each State fiscal year and other funds held pledged to secure the Bonds pursuant to Section 502. The State is not legally obligated to make any such appropriation in any such fiscal year. If the State fails to make any such appropriation, the Authority is not obligated to provide funds for payment of Debt Service.



## ARTICLE VI

### PARTICULAR COVENANTS OF THE AUTHORITY

**Section 601. Payment of Bonds.** The Authority shall duly and punctually pay or cause to be paid, but solely from the Trust Fund, the Debt Service Fund and the Sinking Fund, the principal or Redemption Price of every Bond and the interest thereon, at the dates and places and in the manner provided in the Bonds, according to the true intent and meaning thereof.

**Section 602. Offices for Servicing Bonds.** The Authority shall at all times maintain one or more agencies in the State of New Jersey, and may maintain one or more such agencies in any other state or states, where Bonds may be presented for payment. The Authority hereby appoints the Trustee as a Bond Registrar, and the Authority shall at all times maintain one or more agencies where Bonds may be presented for registration or transfer and where notices, demands and other documents may be served upon the Authority in respect of the Bonds or of this Resolution, and the Trustee shall continuously maintain or make arrangements to provide such services.

**Section 603. Further Assurances.** At any and all times the Authority shall, as far as it may be authorized by law, comply with any reasonable request of the Trustee to pass, make, do, execute, acknowledge and deliver all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, pledging, assigning and confirming all and singular the rights, moneys, securities and funds hereby pledged, or intended so to be, or which the Authority may become bound to pledge.

**Section 604. Creation of Liens.** The Authority shall not issue any bonds, notes, debentures or other evidences of indebtedness of similar nature, other than the Bonds, payable out of or secured by a pledge or assignment of the funds held or set aside by the Authority or by Fiduciaries under this Resolution.

**Section 605 was deleted in its entirety by the Authority's Third Supplemental Bond Resolution adopted August 13, 2014. Prior to such deletion, Section 605 read as follows:**

**Section 605. Tax Covenant.**

1. The Authority covenants to maintain the exclusion of interest on the Bonds from gross income for Federal income tax purposes. In furtherance of the covenant contained in the preceding sentence, the Authority will, among other things, comply with the instructions as to compliance with rebate contained in the tax certificate delivered by the Authority as of the date of, and with respect to, the first issuance and delivery of the Bonds, as a source of guidance for achieving compliance with the Code. Notwithstanding any other provision of this Resolution to the contrary, so long as is necessary in order to maintain the exclusion from gross income for Federal income tax purposes of interest on each of the Bonds, the covenants contained in this Section shall survive the payment or discharge thereof pursuant to Section 1101 of this Resolution.

2. The Authority hereby particularly covenants and agrees with the Holders of the Bonds which are issued as Tax-Exempt Obligations that (a) no part of the proceeds which are derived from the sale of any Series of the Bonds which are issued as Tax-Exempt Obligations shall be used directly or indirectly to acquire any “investment property”, as such term is defined in the Code, or any securities or obligations the acquisition of which would cause any such Bond to be an “arbitrage bond”, as such term is defined in Section 148 of the Code, and (b) it will not take, and shall to the extent reasonably possible prohibit all other persons from taking, any actions which, if taken, would cause any such Bond to be an “arbitrage bond”.

## ARTICLE VII

### DEFAULT PROVISIONS AND REMEDIES OF BONDHOLDERS

**Section 701 was amended by the Authority's Third Supplemental Bond Resolution adopted August 13, 2014, to delete the last two paragraphs of Section 701 and insert in their place a new paragraph. Prior to such amendment, Section 701 read as follows:**

**Section 701. Events of Default.** Each of the following events shall constitute an Event of Default under this Resolution:

(i) if default shall be made by the Authority 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, as applicable;

(ii) if default shall be made by the Authority in the due and punctual payment of any installment of interest on any Bond or the unsatisfied balance of any Sinking Fund Installment therefor, when and as such interest installment or Sinking Fund Installment shall become due and payable;

(iii) if default shall be made by the Authority in the performance or observance of any other of the covenants, agreements or conditions on its part in this 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 fifty-one percent (51%) in principal amount of the Bonds Outstanding.

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 by notice in writing to the Authority may, or upon receipt of a direction in writing from the Holders of not less than fifty-one percent (51%) 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 this Resolution or in any of the Bonds contained to the contrary notwithstanding.

The right of the Trustee or of the Holders of not less than fifty-one percent (51%) in principal amount of the Bonds 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 interest upon the Bonds, together with interest on such overdue installments of interest (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 this Resolution (except the principal of, and interest accrued since the next preceding Interest Payment Date on, the Bonds due and payable solely by virtue of such declaration) shall 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 this 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 fifty-one percent (51%) 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 fifty-one percent (51%) in principal amount of the Bonds Outstanding, then any such declaration shall ipso facto be deemed to be rescinded and any such default shall 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.

**From and after August 13, 2014, Section 701 reads as follows:**

**Section 701. Events of Default.** Each of the following events shall constitute an Event of Default under this Resolution:

(i) if default shall be made by the Authority 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, as applicable;

(ii) if default shall be made by the Authority in the due and punctual payment of any installment of interest on any Bond or the unsatisfied balance of any Sinking Fund Installment therefor, when and as such interest installment or Sinking Fund Installment shall become due and payable;

(iii) if default shall be made by the Authority in the performance or observance of any other of the covenants, agreements or conditions on its part in this 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 fifty-one percent (51%) in principal amount of the Bonds Outstanding.

NOTWITHSTANDING ANYTHING CONTAINED IN THIS SECTION 701 TO THE CONTRARY, A FAILURE BY THE AUTHORITY TO PAY WHEN DUE ANY PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON ANY BONDS REQUIRED TO BE MADE UNDER THIS RESOLUTION OR THE BONDS, OR A FAILURE BY THE AUTHORITY TO OBSERVE AND PERFORM ANY COVENANT, CONDITION OR AGREEMENT ON ITS PART TO BE OBSERVED OR PERFORMED UNDER THIS RESOLUTION OR THE BONDS, RESULTING FROM THE OCCURRENCE OF AN EVENT OF NONAPPROPRIATION, SHALL NOT CONSTITUTE AN EVENT OF DEFAULT UNDER THIS SECTION 701.

**Section 702 was amended in its entirety by the Authority's Third Supplemental Bond Resolution adopted August 13, 2014. Prior to such amendment, Section 702 read as follows:**

**Section 702. Application of Funds.**

1. During the continuance of an Event of Default, the Trustee shall apply all moneys, securities and funds received by the Trustee pursuant to any right given or action taken under the provisions of this Article together with all Funds held by the Trustee under this Resolution 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 and Interest – to the payment of the interest and principal 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, 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 – To the payment to the persons entitled thereto of the unpaid principal of any Bonds which shall have become due 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 due on such date, to the persons entitled thereto, without any discrimination or preference.

(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.

2. Whenever all overdue installments of all Bonds, together with the reasonable and proper charges, fees (including reasonable attorney fees), expenses and liabilities of the Trustee, and all other sums payable by the Authority under this Resolution, including the principal 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 this 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 this 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 this 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 this Resolution or impair any right consequent thereon.

**From and after August 13, 2014, Section 702 reads as follows:**

**Section 702. Application of Funds after an Event of Default; Application of Funds after an Event of Non-Appropriation.**

(a) Application of Funds After an Event of Default: If an Event of Default has occurred and is continuing, the Trustee shall apply all moneys, securities and funds received by the Trustee pursuant to any right given or action taken under the provisions of this Article VII together with all Funds held by the Trustee under this Resolution 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 and Interest – to the payment of the interest and principal or Redemption Price then due on the Bonds, as follows:

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, 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 – To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due 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.

(iii) If any amounts remain after all payments under paragraphs (i) and (ii) have been made, the balance shall be paid to the State Treasurer.

If and whenever all Events of Default under Section 701 shall be cured to the satisfaction of the Trustee and all amounts due and payable to the Bondholders and the Trustee have been paid or provision deemed to be adequate by the Trustee for such cure or payment shall be made, the Authority and the Trustee shall be restored, respectively, to their former positions and rights with respect to Bonds under this Resolution. No such restoration of the Authority and the Trustee to

their former positions and rights shall extend to or affect any subsequent Event of Default or impair any right consequent thereon

(b) Application of Funds after Event of Non-Appropriation: From and after the occurrence of an Event of Non-Appropriation, and provided that there shall not have occurred and then be continuing any Event of Default, all applicable moneys, securities and funds received by the Trustee shall be applied 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 and Interest – to the payment of the interest and principal or Redemption Price then due on the Bonds, as follows:

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, 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 – To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due 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.

(iii) If any amounts remain after all payments under paragraphs (i) and (ii) have been made, the balance shall be paid to the State Treasurer.

If and whenever all amounts due and payable to the Bondholders and the Trustee as a result of an Event of Non-Appropriation have been paid or provision deemed to be adequate by the Trustee for such payment shall be made, the Authority and the Trustee shall be restored, respectively, to their former positions and rights with respect to the Bonds under this Resolution. No such restoration of the Authority and the Trustee to their former positions and rights shall extend to or affect any subsequent Event of Non-Appropriation or impair any right consequent thereon.

### **Section 703. Proceedings Brought by Trustee.**

1. 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 fifty-one percent (51%) in principal amount of the Bonds Outstanding shall proceed, to protect and enforce its rights and the rights of the Holders of the Bonds under this 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 this Resolution.

2. All rights of action under this 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.

3. The Holders of fifty-one percent (51%) 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.

4. Upon commencing a suit in equity or upon other commencement of judicial proceedings by the Trustee to enforce any right under this Resolution, the Trustee shall be entitled to exercise any and all rights and powers conferred in this Resolution and provided to be exercised by the Trustee upon the occurrence of any Event of Default.

5. Regardless of the happening of an Event of Default, the Trustee shall have power to, but unless requested in writing by the Holders of fifty-one percent (51%) in principal amount of the Bonds then Outstanding and furnished with adequate security and indemnity satisfactory to the Trustee, 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 this Resolution by any acts which may be unlawful or in violation of this 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 704. 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 this Resolution or the execution of any trust under this Resolution or for any remedy under this Resolution, unless such Holder shall have previously given to the Trustee written notice of the happening of an Event of Default, as provided in this Article, and the Holders of at least fifty-one percent (51%) 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 this Resolution or by the Act or by the laws of the State 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 satisfactory to the Trustee against the costs, fees (including reasonable attorney 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 or their action to affect, disturb or prejudice the pledge created by this Resolution, or to enforce any right under this Resolution, except in the manner therein provided; and that all proceedings at law or in equity to enforce any provision of this Resolution shall be instituted, had and maintained in the manner provided in this Resolution and for the equal benefit of all Holders of the Outstanding Bonds, subject only to the provisions of Section 902.

**Section 705. Remedies Not Exclusive.** No remedy by the terms of this Resolution conferred upon or reserved to the Trustee or the Bondholders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Resolution or existing at law or in equity or by statute on or after the date of execution and delivery of this Resolution.

**Section 706. Effect of Waiver and Other Circumstances.**

1. No delay or omission of the Trustee or any Bondholder to exercise any right or power arising upon the happening of an Event of Default shall impair any right or power or shall be construed to be a waiver of any such Event of Default or be an acquiescence therein; and every power and remedy given by this Article to the Trustee or to the Bondholders may be exercised from time to time and as often as may be deemed expedient by the Trustee or by the Bondholders.

2. Prior to the declaration of maturity of the Bonds as provided in Section 701, the Holders of fifty-one percent (51%) in principal amount of the Bonds at the time Outstanding, or their attorneys-in-fact duly authorized, may on behalf of the Holders of all of the Bonds waive any past default under this Resolution and its consequences, except a default in the payment of interest on or principal or Redemption Price of any of the Bonds. No such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

**Section 707. Notice of Default.** The Trustee shall promptly mail written notice of the occurrence of any Event of Default of which the Trustee has actual knowledge to each registered owner of Bonds then Outstanding at his address, if any, appearing upon the registry books of the Authority.

## ARTICLE VIII

### CONCERNING THE FIDUCIARIES

**Section 801. Trustee; Appointment and Acceptance of Duties.** Commerce Bank, National Association, Cherry Hill, New Jersey is hereby appointed Trustee under this Resolution. The Trustee shall signify its acceptance of the duties and obligations imposed upon it by this Resolution by executing and delivering to the Authority a written acceptance thereof, and by executing such acceptance the Trustee shall be deemed to have accepted such duties and obligations with respect to all the Bonds thereafter to be issued, but only, however, upon the terms and conditions set forth in this Resolution.

**Section 802. Paying Agents; Appointment and Acceptance of Duties; Bond Registrar.**

1. The Authority shall appoint one or more Paying Agents for the Bonds, and may at any time or from time to time appoint one or more other Paying Agents. All Paying Agents appointed shall have the qualifications set forth in Section 813 for a successor Paying Agent. The Trustee is hereby appointed a Paying Agent.

2. Unless otherwise provided, the principal corporate trust offices of the Paying Agents are designated as the respective offices or agencies of the Authority for the payment of the interest on and principal or Redemption Price of the Bonds.

3. Each Paying Agent shall signify its acceptance of the duties and obligations imposed upon it by this Resolution by executing and delivering to the Authority and to the Trustee a written acceptance thereof. No Paying Agent shall be liable for the acts or omissions of any other Paying Agent.

4. The Authority shall appoint a Bond Registrar, which shall be the Trustee. The Bond Registrar shall have the duties and the responsibilities provided in this Resolution. The Bond Registrar shall accept the responsibilities of a Bond Registrar hereunder with respect to all Bonds by executing a certificate to be delivered to the Trustee and the Authority.

**Section 803. Responsibilities of Fiduciaries.**

1. The recitals of fact herein and in the Bonds contained shall be taken as the statements of the Authority and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to the validity or sufficiency of this Resolution or of any Bonds issued hereunder or as to the security afforded by this Resolution, and no Fiduciary shall incur any liability in respect thereof. The Trustee or Bond Registrar shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. No Fiduciary shall be under any responsibility or duty with respect to the application of any moneys paid by such Fiduciary in accordance with the provisions of this Resolution to the Authority or to any other Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect thereof, or to advance any of its own moneys, unless properly indemnified to its satisfaction. Subject to the

provisions of subsection 2 of this Section 803, no Fiduciary shall be liable in connection with the performance of its duties hereunder except for its own negligence, willful misconduct or default.

2. The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Resolution. In case an Event of Default has occurred (which has not been cured) the Trustee shall exercise such of the rights and powers vested in it by this Resolution, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs. Any provision of this Resolution relating to action taken or to be taken by the Trustee or to evidence upon which the Trustee may rely shall be subject to the provisions of this Section 803 and Section 804.

#### **Section 804. Evidence on Which Fiduciaries May Act.**

1. Each Fiduciary, upon receipt of any notice, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document furnished to it pursuant to any provision of this Resolution, shall examine such instrument to determine whether it conforms to the requirements of this Resolution and shall be protected in acting upon any such instrument believed by it in good faith to be genuine and to have been signed or presented by the proper party or parties. Each Fiduciary may consult with counsel, who may or may not be counsel to the Authority, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under this Resolution in good faith and in accordance therewith.

2. Whenever any Fiduciary shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under this Resolution, such matter (unless other evidence in respect thereof be therein specifically prescribed) may be deemed to be conclusively proved and established by a certificate of an Authorized Authority Representative, and such certificate shall be full warrant for any action taken or suffered in good faith under the provisions of this Resolution upon the faith thereof; but in its discretion the Fiduciary may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as it may deem reasonable.

3. Except as otherwise expressly provided in this Resolution, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision hereof by the Authority to any Fiduciary shall be sufficiently executed in the name of the Authority when signed by an Authorized Authority Representative.

#### **Section 805. Compensation and Indemnification.**

1. The Authority shall pay to each Fiduciary from time to time reasonable compensation for all services rendered under the Resolution, and also all reasonable expenses, charges, counsel fees and other disbursements, including without limitation those of its attorneys, agents and employees, incurred in and about the performance of their powers and duties under the Resolution, in accordance with the agreements made from time to time between the Authority and the Fiduciary.

2. The Authority hereby agrees to the extent permitted by law to reimburse and hold harmless each Fiduciary from and against any and all claims, damages, losses, liabilities, costs or reasonable expenses whatsoever which such Fiduciary may incur in connection with the performance by such Fiduciary of its obligations under the Resolution; provided, however, that the Authority shall not be required to reimburse and hold harmless any Fiduciary for any claims, damages, losses, liabilities, costs or expenses caused in whole or in part by such Fiduciary's negligence, bad faith, breach of contract or misconduct arising out of or as a result of such Fiduciary's performing its obligations under the Resolution or undertaking any transaction contemplated by the Resolution; and further provided, that the foregoing is subject to the limitations of the provisions of the New Jersey Tort Claims Act, N.J.S.A. 59:2-1 et seq. and the New Jersey Contractual Liability Act, N.J.S.A. 59:13-1 et seq.

3. Each Fiduciary, by accepting its appointment as such under the Resolution, agrees that such Fiduciary (i) shall give the Authority prompt notice in writing of any actual or potential claim described above, and the institution of any suit or action; (ii) shall not adjust, settle or compromise any such claim, suit or action without the consent of the Authority; and (iii) shall permit the Authority, at the Authority's sole discretion, to assume full control of the adjustment, settlement, compromise or defense of each such claim, suit or action.

4. While the New Jersey Contractual Liability Act, N.J.S.A. 59:13-1 et seq. is not applicable by its terms to claims arising under contracts with the Authority, each Fiduciary, by accepting its appointment as such under the Resolution, agrees that such statute (except N.J.S.A. 59:13-9) shall be applicable to all claims against the Authority arising under this Section.

5. The indemnification provided in this Section does not apply to or extend to any indemnification which may be given by any Fiduciary to any other person.

**Section 806. Certain Permitted Acts.** Any Fiduciary, individually or otherwise, may become the owner of any Bonds, with the same rights it would have if it were not a Fiduciary. To the extent permitted by law, any Fiduciary may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or to effect or aid in any reorganization growing out of the enforcement of the Bonds or this Resolution, whether or not any such committee shall represent the Holders of a majority in principal amount of the Bonds then Outstanding. To the extent permitted by law, any Fiduciary may provide banking, financial and similar services to the Authority.

**Section 807. Resignation of Trustee.** The Trustee may at any time resign and be discharged of the duties created by this Resolution by giving not less than sixty (60) days prior written notice thereof to the Authority, and mailing notice thereof to the Holders of Bonds then Outstanding, specifying the date when such resignation shall take effect, and such resignation shall take effect upon the day specified in such notice unless (i) previously a successor shall have been appointed by the Authority or the Bondholders as provided in Section 809 hereof, in which event such resignation shall take effect immediately on the appointment of such successor, or (ii) a successor shall not have been appointed by the Authority or the Bondholders as provided in Section

809 on such date, in which event such resignation shall not take effect until a successor is appointed.

**Section 808. Removal of the Trustee.** The Trustee may be removed at any time by an instrument or concurrent instruments in writing, filed with the Trustee, and signed by the Holders of fifty-one percent (51%) in principal amount of the Bonds then Outstanding or their attorneys-in-fact duly authorized, excluding any Bonds held by or for the account of the Authority. So long as no Event of Default, or an event which, with notice or passage of time, or both, would become an Event of Default, shall have occurred and be continuing, the Trustee may be removed at any time with or without cause by a resolution of the Authority filed with the Trustee.

**Section 809. Appointment of Successor Trustee.**

1. In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, a successor Trustee may be appointed by the Authority by a duly executed written instrument signed by an Authorized Authority Representative, but if the Authority does not appoint a successor Trustee within sixty (60) days, then by the Holders of fifty-one percent (51%) in principal amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of the Authority, by an instrument or concurrent instruments in writing signed and acknowledged by such Bondholders or by their attorneys-in-fact duly authorized and delivered to such successor Trustee, notification thereof being given to the Authority and the predecessor Trustee.

2. If no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Section within forty-five (45) days after the Trustee shall have given to the Authority written notice as provided in Section 807 hereof or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, removal, or for any other reason whatsoever, the Trustee or the Holder of any Bond may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Trustee.

3. Any Trustee appointed under the provisions of this Section 809 in succession to the Trustee shall be a bank or trust company organized under the laws of any state or a national banking association and shall have capital stock, surplus and undivided earnings aggregating at least \$100,000,000 if there be such a bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Resolution.

**Section 810. Transfer of Rights and Property to Successor Trustee.** Any successor Trustee appointed under this Resolution shall execute, acknowledge and deliver to its predecessor Trustee, and also to the Authority, an instrument accepting such appointment, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Trustee, with like effect as if originally named as Trustee; but the Trustee ceasing to act shall nevertheless,

on the written request of the Authority or of the successor Trustee, execute, acknowledge and deliver such instrument of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Trustee all the right, title and interest of the predecessor Trustee in and to any property, rights, interests and estates held by it under this Resolution, and shall pay over, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Should any deed, conveyance or instrument in writing from the Authority be required by such successor Trustee for more fully and certainly vesting in and confirming to such successor Trustee any such estates, rights, powers and duties, any and all such deeds, conveyances and instruments in writing shall, on request, and so far as may be authorized by law, be executed, acknowledged and delivered by the Authority. Any such successor Trustee shall promptly notify the Paying Agents of its appointment as Trustee.

**Section 811. Merger or Consolidation.** Any company into which any Fiduciary may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which any Fiduciary may sell or transfer all or substantially all of its corporate trust business, provided such company shall be a bank or trust company organized under the laws of any state of the United States or a national banking association and shall be authorized by law to perform all the duties imposed upon it by this Resolution, shall be the successor to such Fiduciary without the execution or filing of any paper or the performance of any further act.

**Section 812. Adoption of Authentication.** In case any of the Bonds contemplated to be issued under this Resolution shall have been authenticated but not delivered, any successor Trustee may adopt the certificate of authentication of any predecessor Trustee so authenticating such Bonds and deliver such Bonds so authenticated; and in case any of the said Bonds shall not have been authenticated, any successor Trustee may authenticate such Bonds in the name of the predecessor Trustee, or in the name of the successor Trustee, and in all such cases such certificate shall have the full force which it is anywhere in said Bonds or in this Resolution provided that the certificate of the Trustee shall have.

**Section 813. Resignation or Removal of Paying Agent or Bond Registrar and Appointment of Successor.**

1. Any Paying Agent or Bond Registrar may at any time resign and be discharged of the duties and obligations created by this Resolution by giving at least sixty (60) days prior written notice thereof to the Authority, the Trustee and the Paying Agent or Bond Registrar. Any Paying Agent or Bond Registrar may be removed by the Authority at any time by an instrument filed with such Paying Agent or Bond Registrar and the Trustee and signed by an Authorized Authority Representative. Any successor Paying Agent or Bond Registrar shall be appointed by the Authority with the approval of the Trustee and shall be a commercial 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 at least \$100,000,000, and willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Resolution.

2. In the event of the resignation or removal of any Paying Agent or Bond Registrar, such Paying Agent or Bond Registrar shall pay over, assign and deliver any moneys held by it as Paying Agent or Bond Registrar to its successor, or if there be no successor, to the Trustee. In the event that for any reason there shall be a vacancy in the office of any Paying Agent or Bond Registrar, the Trustee shall act as such Paying Agent or Bond Registrar.

## ARTICLE IX

### SUPPLEMENTAL RESOLUTIONS

**Section 901 was amended by the Authority's Third Supplemental Bond Resolution adopted August 13, 2014, to add a new subsection prior to the last subsection of Section 901. Prior to such amendment, Section 901 read as follows:**

**Section 901. Supplemental Resolutions Effective Upon Filing With the Trustee.** 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 Authority Representative, shall be fully effective in accordance with its terms:

1. To close this Resolution against, or provide limitations and restrictions in addition to the limitations and restrictions contained in this Resolution on, the authentication and delivery of Bonds or the issuance of other evidences of indebtedness;

2. To add to the covenants and agreements of the Authority in this Resolution, other covenants and agreements to be observed by the Authority which are not contrary to or inconsistent with the Resolution;

3. To add to the limitations and restrictions in this Resolution, other limitations and restrictions to be observed by the Authority which are not contrary to or inconsistent with this Resolution as theretofore in effect;

4. To authorize Bonds of a Series and, in connection therewith, specify and determine, or delegate to an Authorized Authority Representative the power to specify and determine, the matters and things referred to in Section 202 and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with this 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;

5. To authorize, in compliance with all applicable law, Bonds of each Series to be issued in the form of coupon Bonds 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 hereunder to the Holders of such coupon Bonds, which are not contrary to or inconsistent with this 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 to be issued in the form of Bonds issued and held in book-entry form on the books of the Authority, any Fiduciary or custodian appointed for that purpose by the Authority and, in connection therewith, make such additional changes herein, 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, this 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. Notwithstanding any other provisions of this Resolution, to authorize Bonds of a Series having terms and provisions different than the terms and provisions theretofore provided in this Resolution, including but not limited to provisions relating to the timing of the payment of interest, maturity amounts and valuation as of a given time, and authorizing the form of bond for such Series of Bonds; provided that the authorization and issuance of such Series of Bonds shall not in any manner impair or adversely affect the rights or security of the Bondholders under this Resolution;

8. To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by the Resolution, of any moneys, securities or funds;

9. 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, this Resolution of the Pledged Property and to pledge any additional revenues, moneys, securities or other agreements;

10. To modify any of the provisions of this Resolution in any other respect whatever, provided that (i) such modification shall be, and be expressed to be, effective only after all Bonds adversely affected by such Supplemental Resolution Outstanding at the date of the adoption of such Supplemental Resolution shall cease to be Outstanding, or (ii) unless such modification shall become effective prior to the authentication and delivery of the first Bond authorized to be issued pursuant to this Resolution, each Supplemental Resolution shall be specifically referred to in the text of all Bonds 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

11. To modify any of the provisions of this Resolution in any respect whatever provided that the Authority obtains and delivers to the Trustee an opinion of Bond Counsel to the effect that such Supplemental Resolution does not adversely affect the holders of any Bonds that are Outstanding at the time such Supplemental Resolution is adopted.

**From and after August 13, 2014, Section 901 reads as follows:**

**Section 901. Supplemental Resolutions Effective Upon Filing With the Trustee.** 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 Authority Representative, shall be fully effective in accordance with its terms:

1. To close this Resolution against, or provide limitations and restrictions in addition to the limitations and restrictions contained in this Resolution on, the authentication and delivery of Bonds or the issuance of other evidences of indebtedness;

2. To add to the covenants and agreements of the Authority in this Resolution, other covenants and agreements to be observed by the Authority which are not contrary to or inconsistent with the Resolution;

3. To add to the limitations and restrictions in this Resolution, other limitations and restrictions to be observed by the Authority which are not contrary to or inconsistent with this Resolution as theretofore in effect;

4. To authorize Bonds of a Series and, in connection therewith, specify and determine, or delegate to an Authorized Authority Representative the power to specify and determine, the matters and things referred to in Section 202 and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with this 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;

5. To authorize, in compliance with all applicable law, Bonds of each Series to be issued in the form of coupon Bonds 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 hereunder to the Holders of such coupon Bonds, which are not contrary to or inconsistent with this 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 to be issued in the form of Bonds issued and held in book-entry form on the books of the Authority, any Fiduciary or custodian appointed for that purpose by the Authority and, in connection therewith, make such additional changes herein, 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, this 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. Notwithstanding any other provisions of this Resolution, to authorize Bonds of a Series having terms and provisions different than the terms and provisions theretofore provided in this Resolution, including but not limited to provisions relating to the timing of the payment of interest, maturity amounts and valuation as of a given time, and authorizing the form of bond for such Series of Bonds; provided that the authorization and issuance of such Series of Bonds shall not in any manner impair or adversely affect the rights or security of the Bondholders under this Resolution;

8. To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by the Resolution, of any moneys, securities or funds;

9. 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, this Resolution

of the Pledged Property and to pledge any additional revenues, moneys, securities or other agreements;

10. To modify any of the provisions of this Resolution in any other respect whatever, provided that (i) such modification shall be, and be expressed to be, effective only after all Bonds adversely affected by such Supplemental Resolution Outstanding at the date of the adoption of such Supplemental Resolution shall cease to be Outstanding, or (ii) unless such modification shall become effective prior to the authentication and delivery of the first Bond authorized to be issued pursuant to this Resolution, each Supplemental Resolution shall be specifically referred to in the text of all Bonds 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

11. To make such changes in connection with the issuance of a Financing Facility in support of any Bonds as may be required to provide for application of the applicable Financing Facility Revenues and the security and payment of the applicable Financing Facility Payment Obligations on either a parity or subordinate basis vis-à-vis Debt Service.

12. To modify any of the provisions of this Resolution in any respect whatever provided that the Authority obtains and delivers to the Trustee an opinion of Bond Counsel to the effect that such Supplemental Resolution does not adversely affect the holders of any Bonds that are Outstanding at the time such Supplemental Resolution is adopted.

**Section 902. Supplemental Resolutions Effective Upon Consent of Trustee.** 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 Authority Representative, and (ii) the filing with the Trustee and the Authority of instruments 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 cure or correct any defect or inconsistent provision in this Resolution; or

2. To insert such provisions clarifying matters or questions arising under this Resolution as are necessary or desirable and are not contrary to or inconsistent with this Resolution as theretofore in effect.

**Section 903. Supplemental Resolutions Effective With Consent of the Bondholders.** At any time or from time to time, a Supplemental Resolution may be adopted subject to consent by Bondholders and in accordance with and subject to the provisions of Article X, which Supplemental Resolution, upon the filing with the Trustee of a copy thereof certified by an Authorized Authority Representative and upon compliance with the provisions of said Article X, shall become fully effective in accordance with its terms as provided in said Article X upon the filing with the Trustee of a copy thereof certified by an Authorized Authority Representative and upon compliance with the provisions of such Article X.

**Section 904. General Provisions.** 1. This Resolution shall not be modified or amended in any respect except as provided in and in accordance with and subject to the provisions of this Article IX and Article X. Nothing contained in this Article IX or Article X shall affect or limit the right or obligation of the Authority to adopt, make, do, execute, acknowledge or deliver any resolution, act or other instrument pursuant to the provisions of Section 804 or the right or obligation of the Authority to execute and deliver to any Fiduciary any instrument which elsewhere in this Resolution it is provided shall be delivered to said Fiduciary.

2. Any Supplemental Resolution referred to and permitted or authorized by Sections 901 and 902 may be adopted by the Authority without the consent of any of the Bondholders, but shall become effective only on the conditions, to the extent and at the time provided in said Sections, respectively. The copy of every Supplemental Resolution when filed with the Trustee shall be accompanied by an opinion of Bond Counsel stating that such Supplemental Resolution has been duly and lawfully adopted in accordance with the provisions of this Resolution, is authorized or permitted by this 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.

3. The Trustee is hereby authorized to accept the delivery of a certified copy of any Supplemental Resolution referred to and permitted or authorized by Section 901, 902 or 903 and to make all further agreements and stipulations which may be therein contained, and the Trustee, in taking such action, shall be fully protected in relying on an opinion of Bond Counsel that such Supplemental Resolution is authorized or permitted by the provisions of this Resolution.

4. No Supplemental Resolution shall change or modify any of the rights or obligations of any Fiduciary without its written consent.

**ARTICLE X**  
**AMENDMENTS**

**Section 1001. Mailing and Publication.**

1. Any provision in this Article for the mailing of a notice or other matter to Bondholders by the Authority shall be fully complied with if it is mailed postage prepaid only to each registered owner of Bonds then Outstanding at his address, if any, appearing upon the registry books of the Authority and to the Trustee. If the Bonds are rated by Moody's, S&P and Fitch, then the Authority shall give notice to the rating agency or agencies that rated the Bonds of any material amendments to this Resolution.

2. Any provision in this Article for publication of a notice or other matter shall require the publication thereof only in an Authorized Newspaper.

**Section 1002. Powers of Amendment.** Any modification or amendment of this Resolution and of the rights and obligations of the Authority and of the Holders of the Bonds hereunder in any particular, may be made by a Supplemental Resolution with the written consent, given as provided in Section 1003, of the Holders of at least fifty-one percent (51%) 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 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 this Section. No such modification or amendment shall permit a change in the maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount 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 consent. The Trustee may in its discretion determine whether or not, in accordance with the foregoing powers of amendment, Bonds of any particular maturity would be affected by any modification or amendment of this Resolution and any such determination shall be binding and conclusive on the Authority and all Holders of Bonds.

**Section 1003. Consent of Bondholders.** The Authority may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of Section 1002 to take effect when and as provided in this Section 1003. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto 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 Section 1003 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 the Holders of the percentages of Outstanding Bonds specified in Section 1002 and (b) 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 this Resolution, is authorized or permitted by this 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 Section 1003 provided. The consent of the Holders of the Bonds 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, which proof shall be such as is permitted by Section 1103. 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 in accordance with Section 1103 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, anything in Section 1103 to the contrary notwithstanding, 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 Section 1003 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 in the manner permitted by this Section 1003. 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 Section 1003, 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 Section 1003 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 Section 1003 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 binding 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.

**Section 1004. Modifications by Unanimous Consent.** The terms and provisions of this Resolution and the rights and obligations of the Authority and of the Holders of the Bonds thereunder may be modified or amended in any respect upon the adoption and filing by the Authority of a Supplemental Resolution and the consents of the Holders of all of the Bonds then Outstanding, such consents to be given as provided in Section 1003, except that no notice to Bondholders shall be required; provided, however, that no such modification or amendment shall change or modify any of the rights or obligations of any Fiduciary without the filing with the Trustee of the written consent of such Fiduciary of the Bondholders.

**Section 1005. Exclusion of Bonds.** Bonds owned or held by or for the account of the Authority shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in this Article X, and the Authority shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in this Article. At the time of any consent or other action taken under this Article, the Authority shall furnish the Trustee a certificate of an Authorized Authority Representative, upon which the Trustee may rely, describing all Bonds so to be excluded.

**Section 1006. Notation on Bonds.** Bonds authenticated and delivered after the effective date of any action taken as in Article IX or this Article X provided may, and, if the Trustee so determines, shall, bear a notation by endorsement or otherwise in form approved by the Authority and the Trustee as to such action, and in that case upon demand of the Holder of any Bond Outstanding at such effective date and presentation of his Bond for the purpose at the principal corporate trust office of the Trustee or upon any transfer or exchange of any Bond Outstanding at such effective date, suitable notation shall be made on such Bond or upon any Bond issued upon any such transfer or exchange by the Trustee as to any such action. If the Authority or the Trustee shall so determine, new Bonds so modified as in the opinion of the Trustee and the Authority to conform to such action shall be prepared, authenticated and delivered, and upon demand of the Holder of any Bond then Outstanding shall be exchanged, without cost to such Bondholder, for Bonds of the same maturity then Outstanding, upon surrender of such Bonds.

## ARTICLE XI

### MISCELLANEOUS

The definition of “Defeasance Securities”, which was previously set forth in the fourth sentence of Section 1101(2), was amended by the Authority’s Third Supplemental Bond Resolution adopted August 13, 2014, and was moved to Section 101 hereof. Prior to such amendment, the fourth sentence of Section 1101(2) read as follows: “For purposes of this Section 1101, the term “Defeasance Securities” shall mean only direct obligations of, or obligations guaranteed by the United States of America, which are not subject to redemption prior to maturity.”

From and after August 13, 2014, Section 1101 reads as follows, and the deletion of the former fourth sentence of Section 1101(2) is marked thus: [\*]:

#### **Section 1101. Defeasance.**

1. If, subject to the provisions set forth in the next succeeding sentence, the Authority shall pay or cause to be paid, or there shall otherwise be paid, to or for the account of the Holders of all Bonds the principal or Redemption Price of, and interest due or to become due thereon, at the times and in the manner stipulated in the Bonds and in this Resolution, then the pledge of moneys and securities pledged under this 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 all moneys or securities held by them pursuant to this Resolution which are not required for the payment of principal or Redemption Price of 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 maturity or particular Bonds within a maturity, the principal, or Redemption Price of, and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution, such Bonds shall cease to be entitled to any lien, benefit or security under this Resolution, and all covenants, agreements and obligations of the Authority to the Holders of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

2. Bonds or interest installments for the payment or redemption of which moneys or Defeasance Securities 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 date thereof shall be deemed to have been paid within the meaning and with the effect expressed in subsection 1 of this Section. Subject to the provisions of subsection 3 through subsection 5 of this Section, any Outstanding Bonds shall, prior to the maturity date thereof, be deemed to have been paid within the meaning and with the effect expressed in subsection 1 of this Section if (a) there shall have been deposited with the Trustee either moneys in an amount which



shall be sufficient, or Defeasance Securities 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, the principal of and the interest on which when due will provide moneys which shall be sufficient to pay when due the principal or Redemption Price of 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 (b) 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, in form satisfactory to it, instructions to mail as provided in Article IV hereof a notice to the Holders of such Bonds that the deposit required by (a) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this Section 1101 and stating such maturity or redemption date upon which moneys are expected, subject to the provisions of subsection 6 of this Section 1101, to be available for the payment of the principal or Redemption Price, if applicable, on said Bonds, and (c) 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, in form satisfactory to it, instructions to mail as provided in Article IV hereof 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. 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, if so directed by the Authority prior to the maturity date of Bonds deemed to have been paid in accordance with this Section 1101 which are not to be redeemed prior to their maturity date or prior to the maturity date of any Bonds deemed to have been paid in accordance with this Section 1101 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 Defeasance Securities so deposited with the Trustee and apply the proceeds thereof to the purchase of such Bonds so purchased; provided, however, that the moneys and Defeasance Securities remaining on deposit with the Trustee after the purchase and cancellation of such Bonds shall be sufficient (as verified by an independent certified public accountant) to pay when due the Principal or Redemption Price of and interest due or to become due on all Bonds, in respect of which such moneys and Defeasance 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 prior to the maturity date or redemption date of Bonds deemed to have been paid in accordance with this Section, the Authority shall purchase or otherwise acquire any such Bonds and deliver such Bonds to the Trustee prior to their maturity date, 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 Bonds deemed paid in accordance with this Section. The directions given by the Authority to the Trustee referred to in the preceding sentences 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 in accordance with this Section 1101 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 in accordance with this Section 1101 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 as provided in this Section 1101, the amount on deposit

with the Trustee in excess (as verified by an independent certified public accountant) 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 (a) of this subsection 2 of this Section 1101, 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 this Resolution. Except as otherwise provided in this subsection and in subsection 3 through subsection 5 of this Section, neither Defeasance Securities nor moneys deposited with the Trustee pursuant to this Section nor principal or interest payments on any such Defeasance 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 of and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, (A) to the extent such cash will not be required (as verified by an independent certified public accountant) at any time for such purpose shall be paid over to the Authority, free and clear of any trust, lien or pledge securing said Bonds 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 Defeasance Securities maturing at times and in amounts sufficient (as verified by an independent certified public accountant) to pay when due the principal or Redemption Price of and interest to become due on said Bonds on or prior to such maturity date or redemption date thereof, as the case may be, and interest earned from such reinvestment 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.

3. If the Bonds are rated by Moody's, S&P and/or Fitch, then the Authority shall give notice to the rating agency or agencies that rated the Bonds of any defeasance of all or any of the Bonds.

**Section 1102. Unclaimed Funds.** Unless otherwise required by law, 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, 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 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.

**Section 1103. Evidence of Signatures of Bondholders and Ownership of Bonds.**

1. Any request, consent, revocation of consent or other instrument which this Resolution may require or permit to be signed and executed by the Bondholders may be in one or more instruments of similar tenor, and shall be signed or executed by such Bondholders in person

or by their attorneys appointed in writing. Proof of (i) the execution of any such instrument, or of an instrument appointing any such attorney, or (ii) the holding by any person of the Bonds shall be sufficient for any purpose of this Resolution (except as otherwise therein expressly provided) if made in the following manner, or in any other manner satisfactory to the Trustee, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

(a) The fact and date of the execution by any Bondholder or his attorney of such instruments may be proved by a guarantee of the signature thereon by a bank or trust company or by the certificate of any notary public or other officer authorized to take acknowledgements of deeds, that the person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. Where such execution is by an officer of a corporation or association or a member of a partnership, on behalf of such corporation, association or partnership, such signature, guarantee, certificate or affidavit shall also constitute sufficient proof of his authority.

(b) The amount of Bonds transferable by delivery held by any person executing any instrument as a Bondholder, the date of his holding such Bonds, and the numbers and other identification thereof, may be proved by a certificate, which need not be acknowledged or verified, in form satisfactory to the Trustee, executed by the Trustee or by a member of a financial firm or by an officer of a bank, trust company, insurance company, or financial corporation or other depository wherever situated, showing at the date therein mentioned that such person exhibited to such member or officer or had on deposit with such depository the Bonds described in such certificate. Such certificate may be given by a member of a financial firm or by an officer of any bank, trust company, insurance company or financial corporation or depository with respect to Bonds owned by it, if acceptable to the Trustee. In addition to the foregoing provisions, the Trustee may from time to time make such reasonable regulations as it may deem advisable permitting other proof of holding of Bonds transferable by delivery.

2. The ownership of Bonds registered otherwise than to bearer and the amount, numbers and other identification, and date of holding the same shall be provided by the registry books.

3. Any request or consent by the owner of any Bond shall bind all future owners of such Bond in respect of anything done or suffered to be done by the Authority or any Fiduciary in accordance therewith.

**Section 1104. Moneys Held for Particular Bonds.** The amounts held by any Fiduciary for the payment of the interest or principal due on any date with respect to particular Bonds shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Holders of the Bonds entitled thereto.

**Section 1105. Preservation and Inspection of Documents.** All documents received by any Fiduciary under the provisions of this Resolution shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Authority any other Fiduciary and any Bondholder and their agents and their representatives, any of whom may make copies thereof.

**Section 1106. Parties Interest Therein.** Nothing in this Resolution expressed or implied is intended or shall be construed to confer upon, or to give to, any person or corporation, other than the Authority, the Fiduciaries and the Holders of the Bonds, any right, remedy or claim under or by reason of this Resolution or any covenant, condition or stipulation thereof; and all the covenants, stipulations, promises and agreements in this Resolution contained by and on behalf of the Authority shall be for the sole and exclusive benefit of the Authority, the Fiduciaries and the Holders of the Bonds.

**Section 1107. No Recourse on the Bonds.** No recourse shall be had for the payment of the principal of or interest on the Bonds or for any claim based thereon or on this Resolution against any member or officer of the Authority or any person executing the Bonds.

**Section 1108. Publication of Notice; Suspension of Publication.**

1. Any publication to be made under the provisions of this Resolution in successive weeks or on successive dates may be made in each instance upon any Business Day of the week and need not be made in the same Authorized Newspaper for any or all of the successive publications but may be made in a different Authorized Newspaper.

2. If, because of the temporary or permanent suspension of the publication or general circulation of any Authorized Newspaper or for any other reason, it is impossible or impractical to publish any notice pursuant to this Resolution in the manner herein provided, then such publication in lieu thereof as shall be made with the approval of the Trustee shall constitute a sufficient publication of such notice.

**Section 1109. Severability of Invalid Provisions.** If any one or more of the covenants or agreements provided in this Resolution on the part of the Authority or any Fiduciary to be performed should be contrary to law, then such covenant or covenants or agreement or agreements shall be deemed severable from the remaining covenants and agreements, and shall in no way affect the validity of the other provisions of this Resolution.

**Section 1110. Holidays.** Except with respect to the computation of a Record Date, if the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Resolution, shall be a legal holiday or a day on which banking institutions in the municipality in which is located the principal office of the Trustee or the operational office of the Authority are authorized by law to remain closed, such payment may be made or act performed or right exercised on the next succeeding day not a legal holiday or a day on which such banking institutions are authorized by law to remain closed, with the same force and effect as if done on the nominal date provided in this Resolution, and no interest shall accrue for the period after such nominal date.

## **ARTICLE XII**

### **EFFECTIVE DATE**

**Section 1201. Effective Date.** This Resolution shall take effect immediately upon its adoption in accordance with the Act.

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**NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY**

**FIFTH SUPPLEMENTAL HIGHER EDUCATION  
FACILITIES TRUST FUND RESOLUTION**

**Adopted October 22, 2024**

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**FIFTH SUPPLEMENTAL HIGHER EDUCATION  
FACILITIES TRUST FUND RESOLUTION**

**Adopted October 22, 2024**

**WHEREAS**, in accordance with the Higher Education Facilities Trust Fund Act (P.L. 1993, c. 375, as amended by P.L. 1995, c. 146, P.L. 2009, c. 308, P.L. 2012, c. 42, and P.L. 2017, c. 98, and codified at N.J.S.A. 18A:72A-49 et seq.) (the “HEFT Act”), which amended and supplemented the New Jersey Educational Facilities Authority Law (N.J.S.A. 18A:72A-1 et seq., as amended and supplemented) (collectively with the HEFT Act, the “Act”) and pursuant to a resolution of the New Jersey Educational Facilities Authority (the “Authority”) adopted November 15, 1995 and entitled, “Higher Education Facilities Trust Fund General Bond Resolution” (the “General Bond Resolution” and, as heretofore amended and supplemented, the “General Resolution”), the Authority has authorized the issuance of its Higher Education Facilities Trust Fund Bonds from time to time for the purposes set forth therein; and

**WHEREAS**, pursuant to a First Supplemental Higher Education Facilities Trust Fund Resolution adopted November 15, 1995 (the “First Supplemental Resolution”), the Authority authorized and issued its Higher Education Facilities Trust Fund Bonds, Series 1995 A (the “Series 1995 A Bonds”) in an original aggregate principal amount of \$220,000,000, none of which remain Outstanding; and

**WHEREAS**, pursuant to a Second Supplemental Higher Education Facilities Trust Fund Resolution adopted March 24, 2004 and an Amended and Restated Second Supplemental Higher Education Facilities Trust Fund Resolution adopted February 23, 2005 (as so amended and restated, the “Second Supplemental Resolution”), the Authority authorized and issued its Higher Education Facilities Trust Fund Refunding Bonds, Series 2005 A (the “Series 2005 A Bonds”) in an original aggregate principal amount of \$90,980,000, none of which remain Outstanding; and

**WHEREAS**, pursuant to a Third Supplemental Higher Education Facilities Trust Fund Resolution adopted August 13, 2014 (the “Third Supplemental Resolution”), the Authority authorized and issued its Higher Education Facilities Trust Fund Bonds, Series 2014 (the “Series 2014 Bonds”) in an original aggregate principal amount of \$199,855,000, of which \$87,110,000 in aggregate principal amount remains Outstanding; and

**WHEREAS**, pursuant to a Fourth Supplemental Higher Education Facilities Trust Fund Resolution adopted December 19, 2023 (the “Fourth Supplemental Resolution”), the Authority authorized and issued its Higher Education Facilities Trust Fund Bonds, Series 2024 (the “Series 2024 Bonds”) in an original aggregate principal amount of \$78,200,000, all of which remains Outstanding; and

**WHEREAS**, the Authority has determined that all or a portion of the remaining Series 2014 Bonds may be refunded for debt service savings; and

**WHEREAS**, in accordance with the provisions of the General Resolution, the Authority desires to (i) authorize the issuance and sale of its Higher Education Facilities Trust Fund Refunding Bonds, Series 2024 A, in one or more series (collectively, the “Series 2024 A Bonds”), for the purposes described herein, and (ii) provide terms and conditions with respect to

the Series 2024 A Bonds in addition to those which have been previously established by the General Resolution.

**NOW, THEREFORE, BE IT RESOLVED**, by the New Jersey Educational Facilities Authority that the General Resolution shall, in accordance with its terms and the terms hereof, be further amended and supplemented as follows (hereinafter, collectively called the “Resolution”):

**ARTICLE I  
DEFINITIONS AND AUTHORITY**

**Section 1.1 Definitions.**

(a) Except as otherwise provided in the recitals hereto or in this Section 1.1, all terms defined in Section 101 of the General Resolution shall have the same meanings in this Fifth Supplemental Resolution as such terms are given in the General Resolution. In addition, unless the context shall otherwise require, the following terms shall have the following respective meanings in this Fifth Supplemental Resolution:

“Act” shall mean the New Jersey Educational Facilities Authority Law, N.J.S.A. 18A:72A-1 et seq., as amended and supplemented, including by the HEFT Act, as the same may be amended and supplemented.

“Authorized Authority Representative” shall mean the Chair, Vice Chair, Executive Director, Deputy Executive Director, Treasurer, Director of Project Management, Director of Compliance Management, Secretary, Assistant Treasurer, or any Assistant Secretary of the Authority, and any other person authorized by resolution of the Authority and any of such officers designated as “acting” or “interim”.

“Bond Counsel” with respect to the issuance and delivery of the Series 2024 A Bonds shall mean Chiesa Shahinian & Giantomasi PC, having its offices at 105 Eisenhower Parkway, Roseland, New Jersey 07068, and subsequent thereto, such nationally recognized bond counsel reasonably satisfactory to the Authority and the Trustee.

“Bond Insurance Policy” shall mean the respective policy, if any, insuring payment of all or a portion of the principal of and interest on the Series 2024 A Bonds by a Bond Insurer.

“Bond Insurer” shall mean a company or companies issuing any Bond Insurance Policy.

“Bond Purchase Contract” shall mean the Bond Purchase Contract for the Series 2024 A Bonds, to be dated the date of sale of the Series 2024 A Bonds and to be executed by the Authority and Siebert Williams Shank & Co., LLC, as manager on behalf of itself and any other underwriters named therein.

“Bonds to be Refunded” shall mean all or a portion of the remaining Series 2014 Bonds, as shall be determined by an Authorized Authority Representative in the Series 2024 A Certificate.

“Continuing Disclosure Agreement” shall mean the Continuing Disclosure Agreement, by and among the Authority, the Treasurer and the Dissemination Agent named therein, relating to the Series 2024 A Bonds, as the same may be amended from time to time.

“DTC” shall mean The Depository Trust Company, and its successors and assigns.

“Escrow Deposit Agreement” shall mean the Escrow Deposit Agreement in respect of the

Bonds to be Refunded, by and between the Authority and the Trustee, as escrow agent (the “Escrow Agent”).

“Fifth Supplemental Resolution” shall mean this Fifth Supplemental Higher Education Facilities Trust Fund Resolution adopted in connection with the issuance of the Series 2024 A Bonds.

“Initial Fee” means the per Series fee paid or payable to the Authority for its services in connection with the issuance of the Series 2024 A Bonds, calculated at the rate of 1/5 of 1% of the aggregate principal amount of each Series of the Series 2024 A Bonds, with a maximum initial fee of \$125,000 payable on the date of issuance and delivery of the Series 2024 A Bonds.

“Participants” or “participants” means those financial institutions for whom the Securities Depository effects book-entry transfers and pledges of securities deposited with the Securities Depository, as such listing of Participants exists at the time of such reference.

“Preliminary Official Statement” means the Preliminary Official Statement relating to the Series 2024 A Bonds, authorized pursuant to Section 4.1 of this Fifth Supplemental Resolution.

“Securities Depository” shall mean DTC, until a successor Securities Depository shall have become such pursuant to the applicable provisions of this Fifth Supplemental Resolution, and, thereafter, “Securities Depository” shall mean the successor Securities Depository. Any Securities Depository shall be a securities depository that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a book-entry system to record ownership of beneficial interests in the Series 2024 A Bonds in book-entry form.

“Series 2024 A Bonds” shall mean not to exceed \$90,000,000 in aggregate principal amount of Higher Education Facilities Trust Fund Refunding Bonds, Series 2024 A, in one or more series, authorized pursuant to the General Resolution and Article II of this Fifth Supplemental Resolution. If the designation of any Series 2024 A Bonds is changed or supplemented pursuant to Sections 2.1 or 5.1 hereof, all references to such designations in this Fifth Supplemental Resolution shall be deemed to be changed to conform to such designation.

“Series 2024 A Certificate” shall mean one or more certificates executed by an Authorized Authority Representative of the Authority, approved in writing by the Treasurer, and delivered in connection with the sale and issuance of the Series 2024 A Bonds.

“Trustee” shall mean the entity appointed as Trustee pursuant to Section 7.1 hereof.

(b) Unless the context clearly indicates otherwise, words importing the singular number include the plural number, and vice versa.

## **Section 1.2 Authority for this Fifth Supplemental Resolution.**

This Fifth Supplemental Resolution is adopted pursuant to the provisions of the Act and the General Resolution, specifically Sections 901 and 904 of the General Resolution.

**ARTICLE II**  
**AUTHORIZATION AND TERMS OF SERIES 2024 A BONDS**

**Section 2.1 Authorization for Series 2024 A Bonds; Principal Amounts; Designation; Series; Payment Dates; Maturities; Interest Rates.**

(a) The Series 2024 A Bonds are authorized to be issued and sold in one or more series pursuant to the provisions of the Act, the General Resolution and this Fifth Supplemental Resolution. The Series 2024 A Bonds shall be designated “Higher Education Facilities Trust Fund Refunding Bonds, Series 2024 A”, with such additional series designation or designations as may be determined by an Authorized Authority Representative in the Series 2024 A Certificate. The Series 2024 A Bonds may be issued in one or more Series and may be issued as tax-exempt bonds or as taxable bonds, or a combination thereof, as shall be determined by an Authorized Authority Representative in the Series 2024 A Certificate. The Series 2024 A Bonds shall be issued in an aggregate principal amount not to exceed \$90,000,000. The Series 2024 A Bonds shall be issued pursuant to the provisions of Section 202 of the General Resolution and this Section 2.1.

(b) Each Series of the Series 2024 A Bonds shall be issued as tax-exempt bonds or as taxable bonds with a fixed rate or rates of interest to maturity and shall be dated, shall mature on such dates and in such principal amounts, shall bear interest from their date at such rate or rates payable on such dates, and shall be subject to redemption prior to maturity on such terms and conditions, as shall be determined by an Authorized Authority Representative in the Series 2024 A Certificate and approved in writing by the Treasurer; provided, however, that (i) the final maturity of the Series 2024 A Bonds shall not be later than five (5) years from the date of issuance of the Series 2024 A Bonds; (ii) the true interest cost of the Series 2024 A Bonds issued on a tax-exempt basis shall not exceed six percent (6.00%) per annum; and (iii) the Redemption Price of any Series 2024 A Bonds shall not exceed one hundred percent (100%) of the Principal Amount of such Series 2024 A Bonds.

**Section 2.2 Purposes.**

The Series 2024 A Bonds shall be issued for the purposes of the General Resolution and this Fifth Supplemental Resolution, specifically to: (i) refund and defease the Bonds to be Refunded; and (ii) pay costs of issuance of the Series 2024 A Bonds.

**Section 2.3 Sale and Delivery of the Series 2024 A Bonds.**

(a) The power to determine the Bonds to be Refunded and the power to fix the date and place for the sale of all or any part of the Series 2024 A Bonds in such manner as he or she shall deem to be in the best interests of the Authority is hereby delegated to an Authorized Authority Representative and shall be determined by an Authorized Authority Representative in the Series 2024 A Certificate.

(b) In accordance with Executive Order No. 26 (Whitman 1994) (“Executive Order 26”), the Authority hereby determines to sell the Series 2024 A Bonds pursuant to a “negotiated sale” and finds that a negotiated sale is permissible as a result of the complex financing structure and volatile market conditions. Upon recommendation of the Treasurer based upon the

Department of the Treasury's competitive RFP process and in accordance with Executive Order 26, the Authority hereby (i) approves the selection of and appoints Siebert Williams Shank & Co., LLC as Manager for the Series 2024 A Bonds and (ii) authorizes an Authorized Authority Representative to select and appoint any additional co-senior manager(s), co-manager(s) and/or underwriter(s) of the Series 2024 A Bonds, upon recommendation of the Treasurer based upon the Department of the Treasury's competitive RFP process, such appointment(s) to be evidenced by the execution of the Bond Purchase Contract.

(c) Any Authorized Authority Representative, in consultation with Bond Counsel and the Attorney General of the State (the "State Attorney General"), is hereby authorized and directed to negotiate and approve the Bond Purchase Contract for the Series 2024 A Bonds, to be executed by Siebert Williams Shank & Co., LLC, as manager (the "Manager") on behalf of itself and any other members of an underwriting syndicate headed by such firm (the "Underwriters"), which terms shall be consistent with the General Resolution, this Fifth Supplemental Resolution and the Series 2024 A Certificate. The Authority hereby approves the form of and authorizes the execution and delivery of the Bond Purchase Contract in substantially the form presented at this meeting with such changes, omissions, insertions and revisions as an Authorized Authority Representative shall deem necessary or advisable or as advised by Bond Counsel or the State Attorney General, such approval to be evidenced by such Authorized Authority Representative's execution thereof; provided, however, that the Underwriters' discount for the Series 2024 A Bonds shall not exceed \$5.00 per \$1,000 of principal amount.

(d) Any Authorized Authority Representative, in consultation with the Treasurer, is hereby authorized to select one or more Bond Insurers for the Series 2024 A Bonds, if any, execute a commitment letter for the issuance of a Bond Insurance Policy with each such Bond Insurer and carry out the Authority's obligations thereunder (including payment of the premium for the respective Bond Insurance Policy), accept terms and conditions relating to the Series 2024 A Bonds required by each Bond Insurer as a condition to the issuance of the respective Bond Insurance Policy (including deeming each Bond Insurer the holder of its respective portion of the Series 2024 A Bonds for the purpose of providing consents under the General Resolution), include in the Series 2024 A Certificate such provisions relating to the Bond Insurance Policy as such Authorized Officer of the Authority, with the advice of Bond Counsel and the State Attorney General, deems appropriate and to include on the form of any Series 2024 A Bond that is insured by a Bond Insurance Policy a statement of insurance in the form requested by the Bond Insurer, as such Authorized Officer deems necessary and appropriate with the advice of Bond Counsel and the State Attorney General.

(e) Any Authorized Authority Representative is hereby authorized and directed to deliver the Series 2024 A Bonds to the Trustee for authentication and, after authentication, to deliver the Series 2024 A Bonds to the Underwriters thereof against receipt of the purchase price or the unpaid balance thereof, and to approve, execute and deliver all documents and instruments required in connection therewith, with such changes, omissions, insertions and revisions as shall be deemed necessary or advisable by the Authorized Officer of the Authority executing same.



## **Section 2.4 Redemption Provisions.**

(a) The Series 2024 A Bonds of each Series shall be subject to redemption prior to maturity on such terms and conditions as may be determined in the Series 2024 A Certificate relating to such Series.

(b) Notwithstanding anything to the contrary in the General Resolution, if at the time of the mailing of a notice of redemption the Authority shall not have deposited with the Trustee or the Paying Agent, as applicable, moneys sufficient to redeem all of the Series 2024 A Bonds called for redemption, such notice shall state that it is conditional and subject to the deposit of the redemption moneys with the Trustee or the Paying Agent, as applicable, on the redemption date and such notice shall be of no effect unless such moneys are so deposited.

(c) Notice of Redemption shall be given at the times and in the manner as set forth in the form of the Series 2024 A Bond contained in Section 3.2 hereof.

## **Section 2.5 Place of Payment.**

The principal of the Series 2024 A Bonds shall be payable at the designated corporate trust office of the Trustee, as Paying Agent, or in accordance with practices established by the Trustee and approved by the Authority. Interest on the Series 2024 A Bonds shall be payable (i) by check or draft mailed by the Trustee, as Paying Agent, to the registered owners thereof as the same appear as of the Record Date on the registration books of the Authority maintained by the Trustee, as Bond Registrar, or (ii) by electronic transfer in immediately available funds, if the Series 2024 A Bonds are held by a Securities Depository, or at the written request addressed to the Trustee by any holder of Series 2024 A Bonds in the aggregate principal amount of at least \$1,000,000, such request to be signed by such holder, containing the name of the bank (which shall be in the continental United States), its address, its ABA routing number, the name and account number to which credit shall be made and an acknowledgment that an electronic transfer fee is payable, and to be filed with the Trustee no later than ten (10) Business Days before the applicable Record Date preceding such Interest Payment Date.

## **Section 2.6 The Depository Trust Company; Book-Entry Only System.**

(a) Except as provided in subparagraph (e) of this Section 2.6, the registered owner of all of the Series 2024 A Bonds shall be, and the Series 2024 A Bonds shall be registered in the name of, Cede & Co. (“Cede”) as nominee of DTC. With respect to all Series 2024 A Bonds for which Cede shall be the registered owner, payment of semiannual interest on such Series 2024 A Bonds shall be made by wire transfer to the account of Cede on the Interest Payment Dates for the Series 2024 A Bonds at the address indicated for Cede in the register maintained by the Trustee, as Bond Registrar.

(b) The Series 2024 A Bonds shall be initially issued in the form of a separate fully registered bond in the amount of each separate maturity and, if applicable, Series, of the Series 2024 A Bonds. Upon initial issuance, the ownership of each such Series 2024 A Bond shall be registered in the registration books of the Authority kept by the Trustee, as Bond Registrar, in the name of Cede, as nominee of DTC. With respect to Series 2024 A Bonds so registered in the name of Cede, the Authority and the Trustee shall have no responsibility or obligation to any

DTC participant, indirect DTC participant, or any beneficial owner of such Series 2024 A Bonds. Without limiting the immediately preceding sentence, the Authority and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede or any DTC participant or indirect DTC participant with respect to any beneficial ownership interest in the Series 2024 A Bonds, (ii) the delivery to any DTC participant, indirect DTC participant, beneficial owner or any other person, other than DTC or Cede, of any notice with respect to such Series 2024 A Bonds, or (iii) the payment to any DTC participant, indirect DTC participant, beneficial owner or any other person, other than DTC or Cede, of any amount with respect to the principal or Redemption Price of or interest on such Series 2024 A Bonds. The Authority and the Trustee may treat DTC as, and deem DTC to be, the absolute registered Holder of each such Series 2024 A Bond for the purpose of (i) payment of the principal or Redemption Price of and interest on the Series 2024 A Bond, (ii) giving notices with respect to such Series 2024 A Bonds, (iii) registering transfers with respect to the Series 2024 A Bonds, and (iv) for all other purposes whatsoever. The Trustee shall pay the principal or Redemption Price of and interest on such Series 2024 A Bonds only to or upon the order of DTC, and all such payments shall be valid and effective to fully satisfy and discharge the Authority's obligations with respect to such principal, redemption premium, if any, and interest to the extent of the sum or sums so paid. Except as otherwise set forth in this Section 2.6, no person other than DTC shall receive a Bond certificate evidencing the obligation of the Authority to make payments of principal thereof, redemption premium, if any, and interest thereon pursuant to the General Resolution and this Fifth Supplemental Resolution. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede, and subject to the transfer provisions hereof, the word "Cede" in this Fifth Supplemental Resolution shall refer to such new nominee of DTC.

(c) DTC may determine to discontinue providing its services with respect to all or any portion of the Series 2024 A Bonds at any time by giving written notice to the Authority and discharging its responsibilities with respect thereto under applicable law. Upon receipt of such notice, the Authority shall promptly deliver a copy of same to the Trustee.

(d) The Authority (i) in its sole discretion and without the consent of any other person, may discontinue the use of the system of book-entry only transfers through DTC (or a successor Securities Depository) with respect to the Series 2024 A Bonds, in which event physical Series 2024 A Bonds are required to be printed and delivered to DTC, and (ii) shall terminate the services of DTC with respect to such Series 2024 A Bonds upon receipt by the Authority and the Trustee of written notice from DTC to the effect that DTC has received written notice from DTC participants or indirect DTC participants having interests, as shown in the records of DTC, of not less than fifty percent (50%) of the aggregate principal amount of the then Outstanding Series 2024 A Bonds so registered in the name of Cede to the effect, that (A) DTC is unable to discharge its responsibilities with respect to such Series 2024 A Bonds; or (B) a continuation of the requirement that all such Outstanding Series 2024 A Bonds be registered in the registration books kept by the Trustee, as Bond Registrar, in the name of Cede, as nominee of DTC, is not in the best interest of the beneficial owners of such Series 2024 A Bonds.

(e) Upon the termination of the services of DTC with respect to all or any portion of such Series 2024 A Bonds pursuant to subsection (d)(ii)(A) of this Section 2.6 or upon the discontinuance or termination of the services of DTC with respect to all or any portion of such

Series 2024 A Bonds pursuant to subsections (c) or (d)(ii)(B) of this Section 2.6, after which no substitute Securities Depository willing to undertake the functions of DTC hereunder can be found which, in the opinion of the Authority, is willing and able to undertake such functions upon reasonable and customary terms, such Series 2024 A Bonds (or the applicable portion thereof) shall no longer be restricted to being registered in the registration books kept by the Trustee, as Bond Registrar, in the name of Cede, as nominee of DTC, but may be registered in whatever name or names the Bondholders transferring or exchanging such Series 2024 A Bonds shall designate, in accordance with the provisions of the General Resolution and this Fifth Supplemental Resolution. Upon the determination by any party authorized herein that such Series 2024 A Bonds (or any portion thereof) shall no longer be registered in the name of Cede, DTC shall immediately provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Internal Revenue Code Section 6045, as amended; whereupon the Trustee shall register in the name of, and authenticate and deliver replacement Series 2024 A Bonds to, the beneficial owners or their nominees in principal amounts representing the interest of each. The Trustee may conclusively rely on information from DTC and its Participants and shall have no responsibility to verify or ensure the accuracy of such information.

(f) Notwithstanding any other provision of the General Resolution or this Fifth Supplemental Resolution to the contrary, so long as any Series 2024 A Bonds are registered in the name of Cede, as nominee of DTC, all payments with respect to the principal or Redemption Price of and interest on, and all notices with respect to, such Series 2024 A Bonds shall be made and given, respectively, to DTC as provided in the Letter of Representations of the Authority and the Trustee, addressed to DTC, with respect to the Series 2024 A Bonds.

(g) In connection with any notice or other communication to be provided to Bondholders pursuant to the General Resolution or this Fifth Supplemental Resolution by the Authority or the Trustee with respect to any consent or other action to be taken by Bondholders, the Authority or the Trustee, as the case may be, shall establish a record date for such consent or other action and give DTC notice of such record date not less than fifteen (15) calendar days in advance of such record date to the extent possible.

(h) The Authority hereby authorizes the Treasurer, on behalf of the Authority and in consultation with an Authorized Authority Representative, to determine from time to time, subject to confirmation and ratification by the Authority, whether or not it is advisable for the Authority to continue the book-entry only system for the Series 2024 A Bonds or to replace DTC with another qualified Securities Depository as successor to DTC.

## **Section 2.7 Execution.**

The Series 2024 A Bonds shall be executed in the manner set forth in Section 303 of the General Resolution.

**ARTICLE III  
FORM OF SERIES 2024 A BONDS**

**Section 3.1 Denominations; Numbers and Letters.**

The Series 2024 A Bonds shall be issued in the denominations of \$5,000 or any integral multiple thereof not exceeding the maximum amount of each stated maturity. Each Series 2024 A Bond shall be identified by the letter “R” and the number of such Bond and shall be numbered consecutively from 1 upwards.

**Section 3.2 Form of Series 2024 A Bonds and Trustee's Certificate of Authentication.**

The form of the Series 2024 A Bonds and the Trustee’s Certificate of Authentication therefor shall be of substantially the form set forth below, with necessary or appropriate variations, omissions and insertions as permitted or required hereby:

[Remainder of page intentionally blank. The form of the Series 2024 A Bond follows.]

[Form of Series 2024 A Bond]

UNLESS THIS CERTIFICATE IS PRESENTED BY THE AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY TO THE AUTHORITY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO., OR ANY OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (AND ANY PAYMENT IS MADE TO CEDE & CO., OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF, FOR VALUE OR OTHERWISE, BY OR TO ANY PERSON, IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

NEITHER THE STATE OF NEW JERSEY (THE "STATE") NOR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE RESOLUTION) IS OBLIGATED TO PAY, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE RESOLUTION) IS PLEDGED TO THE PAYMENT OF, THE PRINCIPAL OR REDEMPTION PRICE, IF ANY, OF OR INTEREST ON THIS BOND. THIS BOND IS A SPECIAL AND LIMITED OBLIGATION OF THE AUTHORITY, PAYABLE SOLELY OUT OF THE REVENUES OR OTHER RECEIPTS, FUNDS OR MONEYS OF THE AUTHORITY PLEDGED UNDER THE RESOLUTION AND FROM ANY OTHER AMOUNTS AVAILABLE UNDER THE RESOLUTION. THIS BOND DOES NOT NOW AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER.

UNITED STATES OF AMERICA

STATE OF NEW JERSEY

NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY  
HIGHER EDUCATION FACILITIES TRUST FUND REFUNDING BONDS,  
SERIES 2024 A

R-\_\_ \$ \_\_\_\_\_

Interest Rate

Maturity Date

Dated Date

CUSIP

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT:

The NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY, a public body corporate and politic with corporate succession (hereinafter called the “Authority”), constituting a political subdivision organized and existing under and by virtue of the laws of the State of New Jersey (the “State”), acknowledges itself indebted and for value received hereby promises to pay to the Registered Owner named above, or registered assigns, on the Maturity Date stated above, upon presentation and surrender of this Bond at the designated corporate trust office of the Trustee hereinafter mentioned, in lawful money of the United States of America, the Principal Amount set forth above and to pay interest thereon until the Principal Amount is paid from the most recent Interest Payment Date (as defined in the Resolution) next preceding the date of authentication hereof, unless the date of authentication hereof is an Interest Payment Date, in which case from the date of authentication hereof, or unless the date of authentication hereof is prior to the first interest payment, in which case from the Dated Date or unless the date of authentication hereof is between a record date for such interest, which shall be the first (1st) day (whether or not a Business Day) of the calendar month next preceding an Interest Payment Date (the “Record Date”), and the next succeeding Interest Payment Date, in which case from such Interest Payment Date, at the Interest Rate stated above, payable on June 15 and December 15 of each year (each, an “Interest Payment Date”), commencing June 15, 2025 until maturity or earlier redemption. Interest on the Series 2024 A Bonds shall be payable (i) by check or draft mailed by the Trustee, as Paying Agent, to the Registered Owners thereof as the same appear as of the Record Date on the registration books of the Authority maintained by the Trustee, as Registrar, or (ii) by electronic transfer in immediately available funds, if the Series 2024 A Bonds are held by a Securities Depository, or at the written request addressed to the Trustee by any holder of Series 2024 A Bonds in the aggregate principal amount of at least \$1,000,000, such request to be signed by such holder, containing the name of the bank (which shall be in the continental United States), its address, its ABA routing number, the name and account number to which credit shall be made and an acknowledgment that an electronic transfer fee is payable, and to be filed with the Trustee no later than ten (10) Business Days before the applicable Record Date. The principal of this Bond is payable upon surrender at the designated corporate trust office of The Bank of New York Mellon, the Trustee, Paying Agent and Bond Registrar. However, so long as the Bonds are registered in the name of Cede, the procedures of DTC shall govern repayment of principal of, Redemption Price, if any, and interest on the Bonds. Interest on this Bond shall be calculated based upon a 360-day year comprised of twelve 30-day months.

This Bond is one of a duly authorized issue of bonds of the Authority designated “Higher Education Facilities Trust Fund Refunding Bonds, Series 2024 A” (the “Bonds”), which have been duly issued by the Authority under and pursuant to the laws of the State of New Jersey, particularly the Higher Education Facilities Trust Fund Act (being Chapter 375 of the Laws of the State of 1993, as amended and supplemented by Chapter 146 of the Laws of the State of 1995, Chapter 308 of the Laws of the State of 2009, Chapter 42 of the Laws of the State of 2012, and Chapter 98 of the Laws of the State of 2017) (the “HEFT Act”), which amended and supplemented the New Jersey Educational Facilities Authority Law (being Chapter 72A of Title 18A, Education Law of the New Jersey Statutes, as amended and supplemented) (hereinafter, collectively called the “Act”) and pursuant to the Higher Education Facilities Trust Fund General Bond Resolution adopted by the Authority on November 15, 1995, as amended and supplemented, including by the Fifth Supplemental Higher Education Facilities Trust Fund Resolution adopted by the Authority on October 22, 2024 and a certificate executed by an Authorized Authority Representative dated the date of sale of the Series 2024 A Bonds

(hereinafter, collectively called the "Resolution"). This Bond and the issue of which it is a part is a special and limited obligation of the Authority payable from and secured by a pledge of and lien on the Revenues (as defined in the Resolution) and all moneys, securities and funds which are held or set aside or which are to be held or set aside pursuant to the Resolution except the Rebate Fund or which are held in any funds which are established and created under the Resolution, equally and ratably with all other Bonds of this issue and any additional bonds to be issued as permitted by the Resolution. The payment of the principal or Redemption Price of and interest on this Bond is to be derived from payments made by the State to the Authority pursuant to the Act and amounts held under the Resolution.

**ALL AMOUNTS PAID TO THE AUTHORITY TO PAY THE PRINCIPAL OR REDEMPTION PRICE OF AND INTEREST ON THE BONDS ARE 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.**

**NEITHER THE STATE NOR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE RESOLUTION) IS OBLIGATED TO PAY, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY, TO THE LIMITED EXTENT SET FORTH IN THE RESOLUTION) IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OR REDEMPTION PRICE, IF ANY, OF OR INTEREST ON THIS BOND. THIS BOND IS A SPECIAL AND LIMITED OBLIGATION OF THE AUTHORITY, PAYABLE SOLELY OUT OF THE REVENUES AND OTHER RECEIPTS, FUNDS OR MONEYS OF THE AUTHORITY PLEDGED UNDER THE RESOLUTION AND FROM ANY AMOUNTS OTHERWISE AVAILABLE UNDER THE RESOLUTION FOR THE PAYMENT OF THIS BOND. THIS BOND DOES NOT NOW AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER.**

Reference to the Resolution and any and all resolutions supplemental thereto and any modifications and amendments thereof and to the Act is made for a description of the nature and extent of the security for the Bonds, the funds pledged for the payment thereof, the nature manner and extent of the enforcement of such pledge, the rights and remedies of the holders of the Bonds with respect thereto, the terms and conditions upon which the Bonds are issued and upon which they may be issued thereunder, and a statement of the rights, duties, immunities and obligations of the Authority and of the Trustee. Certified copies of the Resolution are on file in the designated corporate trust office of the Trustee and in the office of the Authority.

This Bond is one of an authorized issue of Bonds, all of like date and tenor except as to number, interest rate, maturity date, denomination and redemption provisions, issued to refund bonds originally issued to make Grants to Public Institutions of Higher Education and Private Institutions of Higher Education within the State pursuant to the Act and to pay the costs of issuing the Bonds.

Pursuant to the Resolution, the Authority may hereafter issue additional bonds (herein called “Additional Bonds”) for the purposes, in the amounts and on the conditions prescribed in the Resolution. All bonds issued and to be issued under the Resolution, including Additional Bonds, are and will be equally secured by the pledge of funds and Revenues provided in the Resolution except as otherwise provided in or pursuant to the Resolution. The aggregate principal amount of Bonds which may be outstanding at any one time, exclusive of certain refunding bonds, may not exceed \$220,000,000.

The Series 2024 A Bonds maturing on or after June 15, 20\_\_ are subject to optional redemption prior to their stated maturities at the option of the Authority, in whole or in part, in any order of maturity and by lot within a maturity if less than all the Bonds of such maturity are to be redeemed, on any date on and after June 15, 20\_\_, at a Redemption Price equal to 100% of the principal amount of the Bonds to be so redeemed, plus accrued interest to the date fixed for redemption.

[The Series 2024 A Bonds maturing on June 15, 20\_\_ shall be subject to mandatory redemption prior to maturity from Sinking Fund Installments, which shall be accumulated in the Sinking Fund, at a Redemption Price equal to 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, on the dates and in the respective principal amounts set forth opposite such dates as set forth below. Bonds within a maturity to be redeemed shall be selected by lot by the Trustee.

Year (June 15)

Principal Amount

---

(\*Final maturity)]

A notice of redemption shall be given at least once not less than thirty (30) days nor more than sixty (60) days prior to the redemption date, by mail, postage prepaid, to the Registered Owner of any Bonds all or a portion of which are to be redeemed, at such Registered Owner’s last address, if any, appearing upon the registration books of the Authority held by the Trustee, as Bond Registrar. Any notice of redemption (other than a notice of mandatory sinking fund redemption) may specify that the redemption is contingent upon the deposit of moneys with the Trustee in an amount sufficient to pay the Redemption Price of all Bonds or portions thereof which are to be redeemed on such date. If notice of redemption shall have been given as aforesaid, the Bonds which are specified in said notice shall become due and payable at the applicable Redemption Price on the redemption date therein designated, and if, on the redemption date, moneys for payment of the Redemption Price of all of the Bonds which are to be redeemed, together with interest accrued thereon to the redemption date, shall be available for such payment on said date, then from and after the redemption date, interest on such Bonds shall cease to accrue and become payable to the holders who are entitled to receive payment thereof upon such redemption.

To the extent and in the respects permitted by the Resolution, the provisions of the Resolution or any resolution amendatory thereof or supplemental thereto may be modified or amended by action taken on behalf of the Authority in the manner and subject to the conditions and exceptions which are set forth in the Resolution. The pledge of moneys and securities and



other obligations of the Authority under the terms of the Resolution may be discharged at or prior to the maturity or redemption of the Bonds upon the making of provision for the payment thereof on the terms set forth in the Resolution.

This Bond is transferable, as provided in the Resolution, only upon the registration books of the Authority which are kept and maintained for that purpose at the designated corporate trust office of the Trustee, as Bond Registrar, or its successor as Bond Registrar, by the Registered Owner hereof in person or by such Registered Owner's attorney duly authorized in writing, upon surrender hereof together with a written instrument of transfer which is satisfactory to the Trustee, as Bond Registrar and which is duly executed by the Registered Owner or by such duly authorized attorney, together with the required signature guarantee, and thereupon the Authority shall issue in the name of the transferee a new registered bond or bonds, of the same aggregate principal amount and series, designation, maturity and interest rate as the surrendered bond as provided in the Resolution upon payment of the charges therein prescribed. The Authority, the Trustee, the Bond Registrar and any Paying Agent of the Authority may treat and consider the person in whose name this Bond is registered as the Holder and absolute owner of this Bond for the purpose of receiving payment of the principal or Redemption Price of and interest due thereon and for all other purposes whatsoever.

In case an Event of Default, as defined in the Resolution, shall occur, the principal of this Bond may be declared due and payable in the manner and with the effect provided in the Resolution.

**No recourse shall be had for the payment of the principal of, redemption premium, if any, or interest on this Bond against any member, employee or officer of the Authority, or any person executing this Bond, all such liability, if any, being hereby expressly waived and released by every Registered Owner of this Bond by the acceptance hereof and as a part of the consideration hereof, as provided in the Resolution.**

**THIS BOND SHALL NOT, IN ANY WAY, BE 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 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.**

PAYMENT OF THIS BOND IS DEPENDENT ON APPROPRIATIONS BY THE STATE LEGISLATURE FROM TIME TO TIME FOR SUCH PURPOSE. THE STATE LEGISLATURE IS NOT LEGALLY OBLIGATED TO MAKE ANY SUCH APPROPRIATIONS.

It is hereby certified, recited and declared by the Authority that all acts, conditions and things required by the Constitution and statutes of the State and the Resolution to exist, to happen and to be performed precedent to and in the issuance of the Bonds of the issue of which this Bond is a part in order to make them the legal, valid and binding obligations of the Authority in accordance with their terms, exist, have happened and have been performed in regular and due

time, form and manner as required by law, and that the issuance of such Bonds does not exceed or violate any constitutional, statutory or other limitation upon the amount of the bonded indebtedness of the Authority.

This Bond shall not be entitled to any benefit under the Resolution or be valid or become obligatory for any purpose until this Bond shall have been authenticated by the execution by the Trustee, or by any authenticating agent of the Trustee approved by the Authority, of the Trustee's Certificate of Authentication hereon.

IN WITNESS WHEREOF, the New Jersey Educational Facilities Authority has caused this Bond to be executed in its name by the manual or facsimile signature of its Chair, Vice Chair or Executive Director and its corporate seal (or a facsimile thereof) to be hereunto affixed, imprinted, engraved or otherwise reproduced and attested by the manual or facsimile signature of its Secretary or Assistant Secretary, all as of the Dated Date hereof.

[SEAL]

NEW JERSEY EDUCATIONAL FACILITIES  
AUTHORITY

By: \_\_\_\_\_  
Name:  
Title:

ATTEST:

By: \_\_\_\_\_  
Name:  
Title:

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Series 2024 A Bonds described herein and secured by the within-mentioned Resolution.

**THE BANK OF NEW YORK MELLON,**  
as Trustee

By: \_\_\_\_\_

Date of Authentication: \_\_\_\_\_, 2024

ASSIGNMENT

FOR VALUE RECEIVED, \_\_\_\_\_  
(the "Assignor" hereby sells, assigns and transfers unto \_\_\_\_\_  
the within Series 2024 A Bond issued by the New Jersey Educational Facilities Authority, and all  
rights thereunder, hereby irrevocably appointing \_\_\_\_\_  
attorney to transfer said Series 2024 A Bond on the bond register, with full power of substitution  
in the premises.

Dated: \_\_\_\_\_

Signature Guaranteed:

\_\_\_\_\_

Notice: \_\_\_\_\_  
The Assignor's signature to this assignment  
must correspond with the name as it appears  
upon the face of the within Series 2024 A Bond  
in every particular without alteration or any  
change whatever

**ARTICLE IV  
APPROVAL OF DOCUMENTS**

**Section 4.1 Approval of Preliminary Official Statement and Official Statement.**

The Authority hereby approves the form and content of the Preliminary Official Statement substantially in the form presented to this meeting, with such necessary, desirable or appropriate changes, insertions or deletions and such completion of blanks therein as an Authorized Authority Representative, with the advice of Bond Counsel and the State Attorney General, may approve; provided that APPENDIX I to the Preliminary Official Statement (which is provided by the State) shall be included therein. An Authorized Authority Representative is hereby authorized, with the advice of Bond Counsel and the State Attorney General, to deem the Preliminary Official Statement for the Series 2024 A Bonds “final” as of its date, within the meaning of SEC Rule 15(c)(2)-12 of the Securities and Exchange Commission, and to provide written evidence relating thereto in a form acceptable to Bond Counsel and the State Attorney General. The preparation and execution of the final Official Statement relating to the Series 2024 A Bonds (the “Official Statement”), and its use, substantially in the form of the Preliminary Official Statement for such Series 2024 A Bonds submitted to the Authority, are hereby approved. The Official Statement is and will be hereby deemed to be a final “Official Statement,” as of its date, within the meaning of SEC Rule 15(c)(2)-12.

**Section 4.2 Authorization of Printing and Distribution (Including Electronic Posting) of Preliminary Official Statement and Official Statement.**

The printing and distribution (including electronic posting) in connection with the sale of the Series 2024 A Bonds of the Preliminary Official Statement and the Official Statement is hereby approved, with such changes, insertions and omissions in the Preliminary Official Statement and the Official Statement as an Authorized Authority Representative, with the advice of Bond Counsel and the State Attorney General, shall approve. An Authorized Authority Representative is further authorized and directed to take all such other actions as such Authorized Authority Representative shall deem necessary, desirable or appropriate to effect the sale of the Series 2024 A Bonds.

**Section 4.3 Approval of Continuing Disclosure Agreement.**

The Continuing Disclosure Agreement relating to the Series 2024 A Bonds, substantially in the form presented to this meeting, is hereby approved, provided that an Authorized Authority Representative is hereby authorized, with the advice of the State Attorney General and Bond Counsel, to make such changes and insertions to, and omissions from, such form of the Continuing Disclosure Agreement as such Authorized Authority Representative may deem necessary, desirable or appropriate. The Authorized Authority Representatives are hereby authorized and directed, with the advice of the State Attorney General and Bond Counsel, to execute such documents and instruments relating to continuing disclosure, if any, as may be necessary or desirable to enable brokers, dealers and municipal securities dealers to comply with SEC Rule 15(c)(2)-12.

**Section 4.4 Approval of Escrow Deposit Agreement.**

The Authority hereby approves the form and authorizes the execution and delivery of one or more Escrow Deposit Agreements (collectively, the “Escrow Deposit Agreement”) by and between the Authority and the Trustee, as Escrow Agent, in substantially the form presented to this meeting, with such changes, omissions, insertions and revisions as any Authorized Authority Representatives shall deem necessary in consultation with Bond Counsel and the State Attorney General, such approval to be evidenced by such Authorized Authority Representative’s execution thereof.

**Section 4.5 Execution of Other Necessary Documents.**

The Authorized Authority Representatives are hereby authorized and directed to execute and deliver such documents and to take such actions as may be necessary, advisable or appropriate in order to effectuate the issuance and sale of the Series 2024 A Bonds and consummate the transactions approved by this Fifth Supplemental Resolution or as advised by the State Attorney General and Bond Counsel, including, without limitation, the execution and delivery of all closing documents and certificates.

**ARTICLE V**  
**AUTHORIZATION OF CERTAIN OTHER TRANSACTIONS AND PROCEEDINGS**

**Section 5.1 Additional Proceedings.**

As additional proceedings of the Authority in connection with the issuance, sale and delivery of the Series 2024 A Bonds and the other transactions authorized by this Fifth Supplemental Resolution, there is hereby delegated to the Authorized Authority Representatives the power to take the following actions and make the following determinations as to the Series 2024 A Bonds by one or more Series 2024 A Certificates executed by any one such Authorized Authority Representative and approved in writing by the Treasurer and delivered in connection with the sale and issuance of the Series 2024 A Bonds:

(a) To determine, subject to the provisions of this Fifth Supplemental Resolution and in consultation with the Treasurer, the appropriate series designation(s), the date(s) and time(s) of sale, the respective principal amounts, the interest rate or rates, the dated dates, the interest and principal payment and maturity dates, the denomination or denominations (not exceeding the aggregate principal amount of Series 2024 A Bonds specified herein) of the Series 2024 A Bonds, the redemption provisions, to make such modifications or amendments to the title of the Series 2024 A Bonds as deemed necessary, desirable or appropriate by such Authorized Authority Representative in connection with the issuance and sale of the Series 2024 A Bonds, and any other provisions deemed necessary, desirable or appropriate by such person not in conflict with or in substitution for the provisions of the Resolution or the Act;

(b) To make the determination, in consultation with the Treasurer, of the amount of the Series 2024 A Bonds of each Series to be issued and sold;

(c) To omit from, add to or incorporate into the designation and title of the Series 2024 A Bonds set forth in Section 2.1 of this Fifth Supplemental Resolution any provision, or modify such designation or title in any other manner, which may be deemed necessary or advisable by such Authorized Authority Representative in connection with the issuance, sale and delivery of, and security for the Series 2024 A Bonds and which is not inconsistent with the provisions of the Resolution or the Act;

(d) To execute a final Official Statement of the Authority relating to the Series 2024 A Bonds, substantially in the form of the Preliminary Official Statement relating to the Series 2024 A Bonds, with such insertions, revisions and omissions as may be authorized by the Authorized Authority Representative executing the same, with the advice of Bond Counsel and the State Attorney General, to deliver the final Official Statement to the Underwriters and to authorize the use of the final Official Statement and the information contained therein in connection with the offering and sale of the Series 2024 A Bonds;

(e) To determine the application of the proceeds of the Series 2024 A Bonds for the purposes stated in Section 2.2 of this Fifth Supplemental Resolution;

(f) To determine, in consultation with the Treasurer, the series, maturities within a series, and the principal amount within each maturity of the Bonds to be Refunded that are to be refunded with the proceeds of the Series 2024 A Bonds;



(g) In connection with any of the transactions authorized by this Fifth Supplemental Resolution, to make such amendments, modifications and revisions to the Resolution prior to or simultaneously with the issuance of the Series 2024 A Bonds as (i) may be requested by any Rating Agency in connection with obtaining a rating on the Series 2024 A Bonds from such Rating Agency, (ii) may be requested by a Bond Insurer issuing a Bond Insurance Policy insuring any of the Series 2024 A Bonds, or (iii) such Authorized Authority Representative may determine, in consultation with the Treasurer, the State Attorney General and Bond Counsel, are necessary or advisable in order to (1) reflect the actual provisions of the Resolution that shall be applicable to the Series 2024 A Bonds, and/or (2) facilitate the issuance and sale of the Series 2024 A Bonds; provided, however, that (A) the provisions of Section 2.1 of this Fifth Supplemental Resolution relating to the maximum aggregate principal amount, true interest cost, final maturity date and Redemption Price of the Series 2024 A Bonds shall not be so amended, modified or revised, and (B) no such amendments, modifications or revisions shall be inconsistent with the provisions of the Resolution;

(h) To authorize the electronic posting of the Official Statement(s) on the State's website, upon the request of the Treasurer or the Treasurer's designee;

(i) To determine whether the Series 2024 A Bonds shall be issued in one or more Series for purposes of issuance and sale;

(j) To determine whether the Series 2024 A Bonds will be issued as tax-exempt bonds or as taxable bonds, or a combination thereof;

(k) To sell the Series 2024 A Bonds on one or more dates;

(l) To purchase, or cause the Escrow Agent to purchase, United States Treasury Securities - State and Local Government Series with a portion of the proceeds of each Series of the Series 2024 A Bonds in connection with the refunding of any Bonds to be Refunded, and, in the event that such Authorized Authority Representative determines that it is necessary or advantageous to the Authority to purchase other Defeasance Securities in which a portion of the proceeds of each Series of the Series 2024 A Bonds may be invested in connection with the refunding of any Bonds to be Refunded, to select and appoint a firm, through a competitive RFP process, to serve as bidding agent to solicit bids to purchase such other Defeasance Securities and to purchase, or cause the Escrow Agent to purchase, such other Defeasance Securities and to take all other actions as may be necessary or advisable to effectuate the redemption of all or a portion of the Bonds to be Refunded in accordance with the provisions of the Resolution;

(m) To determine the application of the balance of moneys, if any, remaining in the Escrow Fund (as defined in the Escrow Deposit Agreement), subject to the provisions of the Escrow Deposit Agreement;

(n) To submit an excerpt of the minutes of the meeting of the Authority at which this Fifth Supplemental Resolution was adopted to the Governor of the State (the "Governor") as required pursuant to the Act, and to receive, on behalf of the Authority, an approval letter from the Governor, if delivered to the Authority, of said excerpt as it relates to all actions taken by the Authority in connection with the issuance and sale of the Series 2024 A Bonds;

(o) To file with the Trustee a copy of this Fifth Supplemental Resolution certified by an Authorized Authority Representative, along with an opinion of Bond Counsel, which filing is required by Article IX of the General Resolution; and

(p) To make such other determinations, to execute such other documents, instruments and papers and to do such acts and things as may be necessary or advisable in connection with (i) the issuance, sale and delivery of, and security for, the Series 2024 A Bonds or (ii) any of the other transactions authorized by this Fifth Supplemental Resolution, and which are not inconsistent with the provisions of the Resolution, including this Fifth Supplemental Resolution.

Any and all actions heretofore taken by the Authorized Authority Representatives in connection with the transactions authorized and contemplated by this Fifth Supplemental Resolution are hereby ratified.

All matters determined by an Authorized Authority Representative under the authority of this Fifth Supplemental Resolution shall constitute and be deemed matters incorporated into this Fifth Supplemental Resolution and approved by the Authority, and, whenever an Authorized Authority Representative is authorized or directed to take any action pursuant to this Fifth Supplemental Resolution with or upon the advice, consent or consultation with or by any other person, agency, office or official, a certificate of such Authorized Authority Representative may be relied upon as being determinative that such advice, consultation or consent has in fact occurred and that such actions of the Authorized Authority Representative are valid and binding.

**ARTICLE VI**  
**APPLICATION OF THE SERIES 2024 A BOND PROCEEDS**

**Section 6.1 Application of Bond Proceeds.**

Simultaneously with the delivery of the Series 2024 A Bonds, the proceeds thereof shall be applied as follows, all as more specifically set forth in the Series 2024 A Certificate (which may include a direction to establish separate accounts or subaccounts in respect of separate Series of the Series 2024 A Bonds):

(a) There shall be deposited in the Higher Education Facilities Trust Fund, the amount specified in the Series 2024 A Certificate to pay costs of issuance of the Series 2024 A Bonds;

(b) There shall be deposited in the Debt Service Fund, the amount (if any) specified in the Series 2024 A Certificate; and

(c) There shall be deposited in the Escrow Fund to be held under the Escrow Deposit Agreement, the amount for payment of the Bonds to be Refunded as specified in the Series 2024 A Certificate.

**ARTICLE VII  
MISCELLANEOUS**

**Section 7.1 Appointment of Trustee, Paying Agent, Registrar, Dissemination Agent, and Escrow Agent.**

The Bank of New York Mellon, Jersey City, New Jersey, is hereby appointed to serve as (i) Trustee under the Resolution and Paying Agent and Bond Registrar for the Series 2024 A Bonds, (ii) Dissemination Agent under the Continuing Disclosure Agreement, and (iii) Escrow Agent under the Escrow Deposit Agreement. Such appointment shall become effective upon execution and delivery to the Authority of an acceptance thereof and, in addition, with respect to the appointment as Trustee, execution of the Certificate of Authentication endorsed upon the Series 2024 A Bonds upon original issuance.

**Section 7.2 Severability of Invalid Provisions.**

If any one or more of the covenants or agreements provided in this Fifth Supplemental Resolution on the part of the Authority or any Fiduciary to be performed should be contrary to law, then such covenant or covenants or agreement or agreements shall be deemed severable from the remaining covenants and agreements, and shall in no way affect the validity of the other provisions of this Fifth Supplemental Resolution.

**Section 7.3 Registration or Qualification of the Series 2024 A Bonds under Blue Sky Laws of Various Jurisdictions.**

The Authorized Authority Representatives are authorized and directed on behalf of the Authority to take any and all action which they deem necessary or advisable in order to effect the registration or qualification (or exemption therefrom) of the Series 2024 A Bonds for issue, offer, sale or trade under the blue sky or securities laws of any of the states of the United States of America and in connection therewith to execute, acknowledge, verify, deliver, file or cause to be published any applications, reports (except consents to service of process in any jurisdiction outside the State) and other papers and instruments which may be required under such laws, and to take any and all further action which they may deem necessary or advisable in order to maintain any such registration or qualification for as long as they deem necessary or as required by law or by the underwriters of such securities; provided however, that the Authority will not be required to qualify as a foreign corporation or to file any general or special consents to service of process under the laws of any state; and any such action previously taken is hereby ratified, confirmed and approved.

**Section 7.4 Conflict.**

All resolutions or parts of resolutions or other proceedings in conflict herewith are repealed insofar as such conflict exists.

**Section 7.5 Ratification.**

Any actions heretofore taken by any Authorized Authority Representative in connection with the transactions contemplated herein are hereby ratified and reaffirmed.

**Section 7.6 Effective Date.**

This Fifth Supplemental Resolution shall take effect immediately upon its adoption in accordance with the Act.

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**APPENDIX III**

**FORM OF THE CONTINUING DISCLOSURE AGREEMENT**

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## CONTINUING DISCLOSURE AGREEMENT

This **CONTINUING DISCLOSURE AGREEMENT** (the “Disclosure Agreement”) is made this \_\_ day of \_\_\_\_\_, 2024, by and among the TREASURER OF THE STATE OF NEW JERSEY (the “Treasurer”), the NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY (the “Authority”), a public body corporate and politic of the State of New Jersey (the “State”), and THE BANK OF NEW YORK MELLON, as Dissemination Agent (the “Dissemination Agent”), in its capacity as trustee under the Higher Education Facilities Trust Fund General Bond Resolution adopted by the Authority on November 15, 1995 (the “General Bond Resolution”), as amended and supplemented, including by the Fifth Supplemental Higher Education Facilities Trust Fund Resolution adopted by the Authority on October 22, 2024, and a Series Certificate of the Authority, dated as of \_\_\_\_\_, 2024 (collectively, the “Resolution”). This Disclosure Agreement is entered into in connection with the issuance and sale of the Authority’s \$\_\_\_\_\_ Higher Education Facilities Trust Fund Refunding Bonds, Series 2024 A (“Series 2024 A 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 Series 2024 A 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 Series 2024 A 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) the 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 Series 2024 A 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, (a) by not later than March 15, 2025 and (b) by not later than March 15 of each year thereafter during which any of the Series 2024 A 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 by not later than March 15 in each year during which any of the Series 2024 A 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 Series 2024 A 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 Series 2024 A Bonds, or other material events affecting the tax status of the Series 2024 A Bonds;
- (7) Modifications to rights of Holders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances of the Series 2024 A Bonds;
- (10) Release, substitution or sale of property securing repayment of the Series 2024 A Bonds, if material;
- (11) Rating changes relating to the Series 2024 A Bonds;
- (12) Bankruptcy, insolvency, receivership or similar event of the Obligated Person;<sup>1</sup>
- (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 Series 2024 A Bonds or the change of name of a trustee for the Series 2024 A 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

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<sup>1</sup> 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.

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 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 Series 2024 A 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 Series 2024 A Bonds shall include the CUSIP numbers of the Series 2024 A Bonds to which such notice relates or, if the notice relates to all bond issues of the Authority, including the Series 2024 A 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 Series 2024 A 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 Series 2024 A 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 805 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 Educational Facilities Authority  
103 College Road East, 2<sup>nd</sup> Floor  
Princeton, New Jersey 08540  
Attn: Executive Director

(ii) If to the Treasurer:

New Jersey Department of the Treasury  
c/o Office of Public Finance  
50 West State Street, 5<sup>th</sup> Floor  
P.O. Box 005  
Trenton, New Jersey 08625  
Attn: Director, Office of Public Finance

(iii) If to the Dissemination Agent:

The Bank of New York Mellon  
One Pershing Plaza  
95 Christopher Columbus Drive  
Jersey City, New Jersey 07399  
Attention: Corporate Trust

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](http://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 EDUCATIONAL FACILITIES  
AUTHORITY**

By: \_\_\_\_\_  
Sheryl A. Stitt  
Executive Director

**THE BANK OF NEW YORK MELLON,  
as Dissemination Agent**

By: \_\_\_\_\_  
Authorized officer

EXHIBIT A

NOTICE OF FAILURE TO FILE AN ANNUAL REPORT

Name of Issuer: New Jersey Educational Facilities Authority

Name of Bond Issue affected: \$\_\_\_\_\_ Higher Education Facilities Trust  
Fund Refunding Bonds, Series 2024 A (the “Series  
2024 A Bonds”)

Date of Issuance of affected Bond Issue: \_\_\_\_\_, 2024

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 \_\_\_\_\_, 2024 by and among the Treasurer, the New Jersey Educational Facilities 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: \_\_\_\_\_

**THE BANK OF NEW YORK MELLON,  
as Dissemination Agent**

By: \_\_\_\_\_  
Name:  
Title:

cc: State Treasurer  
New Jersey Educational Facilities Authority

**APPENDIX IV**

**FORM OF OPINION OF BOND COUNSEL**

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[UPON DELIVERY OF THE SERIES 2024 BONDS, CHIESA SHAHINIAN & GIANTOMASI PC, BOND COUNSEL, IS EXPECTED TO RENDER ITS APPROVING LEGAL OPINION IN SUBSTANTIALLY THE FOLLOWING FORM]

[CLOSING DATE]

New Jersey Educational Facilities Authority  
Princeton, New Jersey 08540

The Honorable Elizabeth Maher Muoio  
Treasurer, State of New Jersey  
Trenton, New Jersey

Re: New Jersey Educational Facilities Authority  
Higher Education Facilities Trust Fund Refunding Bonds,  
Series 2024 A

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the New Jersey Educational Facilities Authority (the “Authority”) of its \$\_\_\_\_\_ Higher Education Facilities Trust Fund Refunding Bonds, Series 2024 A (the “Series 2024 Bonds”).

The Series 2024 Bonds are being issued under and pursuant to the Higher Education Facilities Trust Fund Act, being Chapter 375 of the Public Laws of 1993, as amended and supplemented (the “HEFT Act”), which amended and supplemented the New Jersey Educational Facilities Authority Law, being Chapter 72A of Title 18A of the Public Laws of 1967, as amended and supplemented (the “Authority Law” and, together with the HEFT Act, the “Act”), and under and pursuant to the Authority’s Higher Education Facilities Trust Fund General Bond Resolution adopted on November 15, 1995, as amended and supplemented to date (the “General Bond Resolution”), including as supplemented by the Fifth Supplemental Higher Education Facilities Trust Fund Resolution adopted on October 22, 2024 (the “Fifth Supplemental Resolution”) and a certificate executed by an Authorized Authority Representative dated the date of sale of the Series 2024 Bonds (the “Series Certificate”). The General Bond Resolution, as heretofore amended and supplemented, including as supplemented by the Fifth Supplemental Resolution and the Series Certificate, is referred to collectively herein as the “Resolution.” The Bank of New York Mellon, Woodland Park, New Jersey, is acting as trustee (the “Trustee”) under the Resolution. Capitalized terms used herein and not otherwise defined herein have the meaning given to such terms in the Resolution or the Act.

The Series 2024 Bonds are being issued for the purpose of (i) providing for the refunding and defeasance of the Bonds to be Refunded (as defined in the Series Certificate) and (ii) paying the costs of issuance of the Series 2024 Bonds. The Bonds to be Refunded were issued for the

purpose of providing funds to make Grants to Public Institutions of Higher Education and Private Institutions of Higher Education within the State in accordance with the Act. In connection with the issuance of the Bonds to be Refunded, the Authority entered into grant agreements (each, a “HEFT Grant Agreement” and collectively, the “HEFT Grant Agreements”) with the Public Institutions of Higher Education and Private Institutions of Higher Education that received grants funded with proceeds of the Bonds to be Refunded (each a “HEFT Grantee” and collectively, the “HEFT Grantees”).

The Series 2024 Bonds are dated and bear interest from their date of delivery. Interest on the Series 2024 Bonds will be payable semi-annually on each May 15 and November 15, commencing May 15, 2025. The Series 2024 Bonds bear interest at the respective rates per annum, mature on the dates and in the principal amounts, and will be subject to redemption prior to maturity, all as set forth in the Resolution.

The Series 2024 Bonds are being issued in fully registered form without coupons and, when issued, will be registered initially in the name of and held by Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York, which will act as securities depository for the Series 2024 Bonds. Purchases of the Series 2024 Bonds will be in book-entry only form in authorized denominations as provided for in the Resolution.

Pursuant to the Resolution, the pledge securing the payment of the principal of, redemption premium, if any, and interest on the Series 2024 Bonds and any other bonds issued under the Resolution consists of the Revenues, and all moneys, securities and funds which are held or set aside or which are to be held or set aside pursuant to the terms of the Resolution or which are held in any funds (except the Rebate Fund) established and created under the Resolution (collectively, the “Pledged Property”).

Neither the State of New Jersey (the “State”) nor any political subdivision thereof (other than the Authority to the limited extent set forth in the Resolution) is obligated to pay, and neither the faith and credit nor the taxing power of the State or any political subdivision thereof is pledged to the payment of the principal or redemption price of or interest on the Series 2024 Bonds. The Series 2024 Bonds are special and limited obligations of the Authority, payable solely out of the Pledged Property. The Series 2024 Bonds do not now and shall never constitute a charge against the general credit of the Authority. The Authority has no taxing power.

In our capacity as Bond Counsel and as a basis for the opinions set forth below, we have examined the proceedings related to the authorization and issuance of the Series 2024 Bonds, including, among other things: (a) certified copies of the Resolution and the forms of the Series 2024 Bonds, (b) such matters of law, including, *inter alia*, the Act, (c) various documents and certificates executed by the Authority, the Treasurer of the State of New Jersey (the “State Treasurer”), and the HEFT Grantees, and (d) such other opinions, agreements, proceedings, certificates, records, approvals, resolutions and documents as to various matters with respect to the issuance of the Series 2024 Bonds, as we have deemed necessary or appropriate. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents

submitted to us as copies. As to matters of fact, we have relied upon the genuineness, accuracy and completeness of all the documents and other instruments which we have examined.

The Internal Revenue Code of 1986, as amended (the “Code”), together with the Treasury Regulations promulgated thereunder (the “Treasury Regulations”), imposes certain requirements which must be met on a continuing basis subsequent to the issuance of the Series 2024 Bonds in order for interest on the Series 2024 Bonds to be and remain excludable from gross income for federal income tax purposes under Section 103 of the Code. Such requirements include, but are not limited to, requirements relating to the use and investment of the proceeds of the Series 2024 Bonds and the rebate of certain investment earnings derived from such proceeds to the United States Treasury Department on a periodic basis.

The sale date of the Series 2024 Bonds is within fourteen (14) days of the sale date of the Authority’s \$ \_\_\_\_\_ Revenue Refunding Bonds, Higher Education Capital Improvement Fund Issue, Series 2024 A (the “CIF Bonds”). The CIF Bonds are being issued under and pursuant to the Higher Education Capital Improvement Fund Act, being Chapter 217 of the Public Laws of 1999, as amended and supplemented (the “CIF Act”) and under and pursuant to a separate bond resolution from the Series 2024 Bonds. The CIF Bonds are secured pursuant to a contract with the State Treasurer and are being sold pursuant to a separate official statement from the Series 2024 Bonds. The CIF Bonds are being issued for the purpose of providing funds for the refunding and defeasance of all or a portion of the Authority’s Revenue Bonds, Higher Education Capital Improvement Fund Issue, Series 2014 A (the “CIF 2014 Governmental Bonds”) and Revenue Bonds, Higher Education Capital Improvement Fund Issue, Series 2014 B (the “CIF 2014 Qualified 501(c)(3) Bonds” and, together with the CIF 2014 Governmental Bonds, the “CIF 2014 Bonds to be Refunded”). The CIF 2014 Governmental Bonds were issued for the purpose of providing funds to make grants (“CIF Grants”) to Public Institutions of Higher Education within the State in accordance with the CIF Act. The CIF 2014 Qualified 501(c)(3) Bonds were issued for the purpose of providing funds to make grants (“CIF Grants”) to Private Institutions of Higher Education within the State in accordance with the CIF Act. In connection with the issuance of the CIF 2014 Bonds to be Refunded, the Authority entered into grant agreements (each, a “CIF Grant Agreement” and collectively, the “CIF Grant Agreements”) with the Public Institutions of Higher Education and Private Institutions of Higher Education that received grants funded with proceeds of the CIF 2014 Bonds to be Refunded (each a “CIF Grantee” and collectively, the “CIF Grantees”).

Pursuant to Treasury Regulations Section 1.150-1(c)(1), in general, if two or more bond issues are sold at substantially the same time, pursuant to a common plan of finance, and are reasonably expected to be paid from the same source of funds for federal income tax purposes, then such bonds will be treated as part of the same issue for federal income tax purposes. The effect of being treated as one issue for federal income tax purposes is that the failure of one of the bond issues to comply with the requirements of the Code and Treasury Regulations applicable to such bond issue could cause interest on such bond issue to be includable in gross income of the holders of the bonds of such bond issue retroactive to the date of issuance of such bond issue, and could also cause interest on such other bond issue to be includable in gross income of the holders of the bonds of such other bond issue retroactive to the date of issuance of such other bond issue.

Pursuant to Treasury Regulations Section 1.150-1(c)(3), an issuer may, subject to certain requirements and restrictions, elect to treat bonds that would otherwise be treated as one issue for federal income tax purposes as separate issues for certain purposes of the Code, if each such separate issue independently qualifies as a tax-exempt bond issue. However, bonds may not be treated as separate issues for certain provisions of the Code, including provisions relating to arbitrage and arbitrage rebate and private activity limitations.

Accordingly, the Series 2024 Bonds and the CIF Bonds are being treated as one issue for certain purposes of the Code. However, for certain purposes under the Code, the Authority is electing to treat the Series 2024 Bonds, together with the portion of the CIF Bonds being used to refund the CIF 2014 Governmental Bonds, as traditional governmental bonds, and is electing to treat the portion of the CIF Bonds being used to refund the CIF 2014 Qualified 501(c)(3) Bonds as qualified 501(c)(3) bonds, within the meaning of the Code.

As such, a failure by the Authority, the Public Institutions of Higher Education, or the Private Institutions of Higher Education to comply with certain requirements and restrictions under the Code, whether with respect to the Series 2024 Bonds or the CIF Bonds, could cause the interest on the Series 2024 Bonds to be includable in gross income of the holders of the Series 2024 Bonds retroactive to the date of issuance of the Series 2024 Bonds.

In connection with the issuance of the Series 2024 Bonds and the CIF Bonds, the Authority is delivering its tax certificate (the “Authority Tax Certificate”), the HEFT Grantees are each delivering their respective tax certificates (each, a “HEFT Grantee Tax Certificate” and collectively, the “HEFT Grantee Tax Certificates”), and the CIF Grantees are each delivering their respective tax certificates (each, a “CIF Grantee Tax Certificate” and collectively, the “CIF Grantee Tax Certificates”). The Authority Tax Certificate, the HEFT Grantee Tax Certificates, and the CIF Grantee Tax Certificates (collectively, the “Tax Certificates”) each contain representations, provisions and procedures as to compliance with the requirements of the Code and Treasury Regulations relating to the exclusion of interest from gross income for federal income tax purposes.

The Authority, by an Authorized Authority Representative responsible for issuing the Series 2024 Bonds, and authorized officers of each of the Grantees (as such term is hereinafter defined), have each executed their respective Tax Certificates stating their respective reasonable expectations on the date of issuance of the Series 2024 Bonds as to future events that are material pursuant to the requirements of the Code in order for interest on the Series 2024 Bonds to be and remain excluded from gross income for federal income tax purposes under Section 103 of the Code. In addition, the Authority has represented in the Authority Tax Certificate that it expects and intends to comply, and to the extent permitted by law, will comply, with the requirements set forth in the Authority Tax Certificate, and the HEFT Grantees and the CIF Grantees (collectively, the “Grantees”) have represented and covenanted in their respective Tax Certificates to comply with the respective requirements applicable to them.

For purposes of rendering the opinions set forth below, we have assumed, with your permission, (i) the accuracy and genuineness of all representations made by the Authority in the Resolution, (ii) the genuineness of the signatures of all persons and the authenticity of all



documents submitted to us as copies and the legal capacity of all natural persons, and (iii) the proper authorization and due execution and delivery by, and enforceability against, all parties, other than the Authority and the State Treasurer, of the documents and other instruments which we have examined.

In addition, in rendering our opinion with respect to the exclusion of interest on the Series 2024 Bonds from gross income for federal income tax purposes and with respect to interest on the Series 2024 Bonds not constituting an item of tax preference, we have assumed continuing compliance by the Authority with the representations set forth in the Authority Tax Certificate and by the Grantees with their respective representations and covenants set forth in their respective Tax Certificates.

Based upon the foregoing and, with your permission, subject to the further assumptions and qualifications set forth below, we are of the opinion that:

1. The Authority is a public body corporate and politic constituting an instrumentality of the State, is duly created and validly existing under the Act, and has the right, power and authority under the Act to adopt the General Bond Resolution and the Fifth Supplemental Resolution and to execute the Series Certificate and to perform its obligations thereunder, and to issue and sell the Series 2024 Bonds.

2. The General Bond Resolution and the Fifth Supplemental Resolution have each been duly and lawfully adopted by the Authority and the Series Certificate has been duly and lawfully executed by the Authority, each is in full force and effect and is valid and binding upon the Authority, enforceable in accordance with its terms, and no other authorization for the adoption of the General Bond Resolution or the Fifth Supplemental Resolution or the execution of the Series Certificate is required, which has not already been obtained.

3. The Resolution creates the valid pledge which it purports to create of the Pledged Property, subject to and dependent upon appropriations being made from time to time by the New Jersey State Legislature (the "State Legislature") for such purpose.

4. The Series 2024 Bonds have been duly and validly authorized, executed, issued and delivered by the Authority in accordance with the Constitution and statutes of the State, including the Act and the Resolution, constitute legal, valid and binding direct and special obligations of the Authority as provided in the Resolution, are entitled to the benefits of the Resolution and the Act, and are enforceable in accordance with their terms and the terms of the Resolution.

5. Under existing statutes, regulations, rulings and judicial decisions, and assuming continuing compliance with the provisions of the Code applicable to the Series 2024 Bonds, interest on the Series 2024 Bonds is excludable from gross income of the holders thereof for federal income tax purposes, and interest on the Series 2024 Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code. However, interest on the Series 2024 Bonds may affect the federal alternative minimum tax imposed on certain corporations. The opinions set forth in this paragraph are subject to the condition that the Authority and the Grantees

comply with all applicable federal income tax law requirements that must be satisfied subsequent to the issuance of the Series 2024 Bonds in order that interest thereon continues to be excluded from gross income. Failure to comply with certain of such requirements could cause the interest on the Series 2024 Bonds to be so includable in gross income retroactive to the date of issuance of the Series 2024 Bonds. As discussed above, failure to comply with certain of such requirements applicable to the CIF Bonds could cause the interest on the Series 2024 Bonds to be includable in gross income retroactive to the date of issuance of the Series 2024 Bonds. The Authority has represented in the Authority Tax Certificate that it expects and intends to comply, and to the extent permitted by law, will comply, with all such requirements. In addition, the Grantees have covenanted to comply with all such requirements applicable to the Grantees.

We express no opinion regarding other federal tax consequences relating to the Series 2024 Bonds or the receipt of interest thereon.

6. Under the laws of the State of New Jersey, as enacted and construed on the date hereof, interest on the Series 2024 Bonds and gain from the sale thereof is excludable from 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 Series 2024 Bonds, the Resolution, and the other documents mentioned herein may be limited by any applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws or equitable principles affecting rights or remedies of creditors and secured parties, from time to time in effect relating to the enforcement of creditors' rights generally, and that the availability of specific enforcement, injunctive relief or other equitable remedies is subject to the discretion of the court before which any proceedings may be brought.

Attention is called to the fact that the Series 2024 Bonds and the interest thereon are special, limited obligations of the Authority payable solely from and secured solely by the Pledged Property under the Resolution, subject to and dependent upon appropriations being made from time to time by the State Legislature, which has no legal obligation to make any such appropriation. The failure of the State Legislature to make such appropriation is not an event of default under the Resolution. The Series 2024 Bonds and the interest thereon do not create or constitute any indebtedness, liability or obligation of the State or any political subdivision of the State other than the Authority (and only to the limited extent set forth in the Series 2024 Bonds and in the Resolution) or constitute a pledge of the faith and credit or taxing power of the State or any political subdivision thereof. The Authority has no taxing power.

The opinions expressed herein are based upon, and limited to, the laws and judicial decisions of the State, exclusive of conflicts of law provisions, and the federal laws and judicial decisions of the United States of America as of the date hereof and are subject to any amendment, repeal or other modification of the applicable laws or judicial decisions that served as the basis for our opinions, or laws or judicial decisions hereafter enacted or rendered. Our engagement by the Authority with respect to the opinions expressed herein does not require, and shall not be construed to constitute, a continuing obligation on our part to notify or otherwise inform the addressees hereof of the amendment, repeal or other modification of the applicable laws or judicial decisions that served as the basis for this opinion letter or of laws or judicial decisions hereafter enacted or

rendered which impact on this opinion letter. This is only an opinion letter and not a warranty or guaranty of the matters discussed herein.

Very truly yours,

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## APPENDIX V

### BOOK-ENTRY ONLY SYSTEM

#### Book-Entry Only System

The information in this APPENDIX V concerning The Depository Trust Company (“DTC”) and DTC’s book-entry only system has been provided by DTC. Accordingly, the Authority takes no responsibility for the completeness or accuracy of such information and neither the DTC participants nor the Beneficial Owners 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.

DTC will act as securities depository for the Series 2024 Bonds. The Series 2024 Bonds will be issued as fully-registered securities, in authorized denominations, 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 Series 2024 Bonds certificate will be issued for each maturity of the Series 2024 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest 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 authority” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. 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 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 and 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. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC rules applicable to its Direct Participants and Indirect Participants are on file with the Securities and Exchange Commission.

Purchases of Series 2024 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2024 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2024 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations

providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2024 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Series 2024 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2024 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 the Series 2024 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 Series 2024 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2024 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 Series 2024 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2024 Bonds, such as redemptions, tenders, defaults and proposed amendments to the Series 2024 Bond documents. For example, Beneficial Owners of the Series 2024 Bonds may wish to ascertain that the nominee holding the Series 2024 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 Series 2024 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 any matter related to the Series 2024 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an omnibus proxy to the 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 the Series 2024 Bonds are credited on the record date (identified in a listing attached to the omnibus proxy).

Redemption proceeds, principal and interest payments on the Series 2024 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 dates 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 to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority and the Trustee; disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of the Direct Participants and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2024 Bonds at any time by giving written notice to the Authority which shall promptly provide a copy of such notice to the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2024 Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of book-entry only transfers through DTC (or a successor securities depository). In such event, Series 2024 Bond certificates will be printed and delivered to DTC.

NEITHER THE AUTHORITY, THE TRUSTEE NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION, EITHER SINGULARLY OR JOINTLY, TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 2024 BONDS UNDER THE RESOLUTION; (III) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2024 BONDS; (IV) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE SERIES 2024 BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF SERIES 2024 BONDS, OR (VI) ANY OTHER MATTER.

SO LONG AS CEDE & CO., AS NOMINEE OF DTC, IS THE REGISTERED OWNER OF ALL OF THE SERIES 2024 BONDS, REFERENCES IN THIS APPENDIX VI TO THE OWNERS, HOLDERS, OR REGISTERED OWNERS OF THE SERIES 2024 BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2024 BONDS.

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**APPENDIX VI**

**THE SERIES 2014 BONDS TO BE REFUNDED**

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