Discussion Points

PROPERTY RENTALS

1. At its February 27, 2023 meeting, the Joint Space Utilization and Leasing Committee approved five out 30 proposed leases submitted for consideration.

During the meeting, it was pointed out that the Administration had been asked for a plan regarding space utilization given that much of the workforce works from home for a portion of the week, but many of the proposed leases submitted to the Committee involve five to 10 year lease-terms, providing the State with little flexibility under shifting working conditions.

Later during the FY 2024 Budget Overview Senate Budget and Appropriations Hearing on March 30, 2023, it was pointed out that the failure to approve pending and proposed leases also results in significant penalties to the State, raising costs.

In FY 2022, the Treasury recommended a $5.5 million supplemental appropriation for Existing and Anticipated Leases for lease escalations and a State Office Utilization Study that the Division of Property Management conducted.

- **Question:** Please share the Governor’s plan regarding Space Utilization or the findings of the State Office Utilization Study and submit a copy thereof. Which study recommendations does the Treasury plan to implement? If the study has not been completed, please specify the projected completion date, the study’s scope of work, and the overall objectives that motivated the commissioning of the study? How does space utilization fit into the Administration’s plan to control costs?

An office space review report titled, “New Jersey Department of Treasury Executive Branch Office Space Review and Recommendations”, has been completed by DPMC. (Please see the attached report titled “Executive Branch Office Space Report”.) As indicated in the report, DPMC is planning a multi-phased approach to studying office space utilization for all Executive Branch office space under its management.

The first phase of the study requires the engagement of a consultant to assist Treasury with research, analysis and the development of a strategic plan. The details of the engagement are currently being finalized; DPMC’s goal is to have it completed by the end of calendar year 2023. It has always been DPMC’s objective to reduce State operating expenditures and eliminate unnecessary or under-utilized leases through a consolidation of programs and departments into other leased and owned facilities.

- **Question:** Please identify all leases pending, proposed, or due to expire in FY 2024 and how they fit into the space utilization plan. Please state the renewal term and total cost of all such leases. Please state the present value of the annualized penalties for FY 2024, barring the renewal or resigning of these leases.

Please see the attached report titled “Space Utilization Lease Report” in response to this question regarding all leases pending, proposed, or due to expire and the renewal term and total cost of all leases.
Discussion Points (Cont’d)

The State is currently paying holdover penalties for three leases. In Trenton at 50 East State Street, the penalty is $246,138.01 per month. Another Trenton lease, located at 33 West State Street, currently costs $163,479.01 in penalties per month. At 690 Broadway in Bayonne, the State is paying an additional $5,803.12 per month in penalties. Additional demands from these landlords could be issued at any time. In contrast, if the proposed lease extension packages for all three leases were approved, the State would, immediately following execution of those new agreements, begin to realize cost savings in comparison to what is currently being paid.

AID TO INDEPENDENT AUTHORITIES

NEW JERSEY WIND PORT FINANCING

New Jersey Wind Port Project Lease and the New Jersey Wind Port Project Sublease

2a. On January 19, 2023, the State issued $160 million in State Lease Revenue Bonds (Offshore Wind Port Project), classified as 2023 Series A, to fund the preconstruction and construction costs for the first and second phases of the wind port. Under the financing structure, the State and the New Jersey Economic Development Authority entered into a project lease, the NJWP Project Lease, in which the State leased the NJWP Project from the Authority and simultaneously subleased it back to the Authority. Under the agreement, the State will pay rent to the Authority for the payment of the principal and the interest on the bonds. The debt service on the bonds is as follows:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
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<tbody>
<tr>
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<td>$9,000,700</td>
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<td>2025</td>
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<tr>
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<tr>
<td>Total</td>
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<td>$50,158,127</td>
<td>$210,158,127</td>
</tr>
</tbody>
</table>

According to recommended budget language, the State is required to pay all basic rent, ground lease rent, and additional rent in accordance with the lease between the Economic Development Authority and the State.

• **Question:** For FY 2024 what amounts were determined by the Director of the Division of Budget and Accounting for basic rent, ground lease rent, and additional rent payments? Are these amounts subject to change in subsequent fiscal years?
Discussion Points (Cont'd)

What would precipitate a change in the three rent payment amounts? What are the terms regarding the prepayment of rent costs? Can the State prepay each of the rent costs, i.e., basic rent, ground lease rent, and additional rent costs? Will the prepayment of the rent costs provide savings to the State? If so, what amount can the State save by prepaying the basic rent costs? Can the State prepay or defease the bonds?

The FY2024 budget includes $2.8 million in additional funding to support the additional rent payments. In addition, the Governor’s Budget includes language that would allow the Director of the Division of Budget and Accounting to appropriate additional sums to ensure the payment of these obligations, if the cost exceeds the amount budgeted.

These amounts are subject to change in subsequent fiscal years. Please see attached a copy of the Lease between the EDA and the State for a description of Basic Rent, Additional Rent, and Ground Lease Rent. The Lease provides that Basic Rent may be prepaid in whole or in part. Additional Rent covers annual bond trustee fees and any other administrative costs that may arise. Additional Rent is not subject to prepayment. Ground Lease is also not subject to prepayment.

As noted above, some rent costs cannot be prepaid. Savings on the prepayment of basic rent would depend on market conditions at the time of prepayment. Any bond can be defeased, however there may be more financially advantageous candidates.

2b. Executive Orders No. 8, 92, and 307 (Murphy 2018, 2019, and 2022) committed to pursue 1,100; 3,500; and 11,000 Megawatts of offshore wind power by 2030, 2035, and 2040, respectively. To accomplish these goals a combination of General Fund, bond financing, and other funding was anticipated to complete the project. First, the FY 2022 Appropriations Act appropriated $200 million from the General Fund to pay for the pre-construction and construction of the Wind Port.

The Administration noted that $200 million in General Fund funding is approximately the amount, when paired with a bond issuance that will allow debt service to be paid back with Wind Port revenues. Additional funding has also been committed by the Board of Public Utilities to offset future costs. The Administration also indicated that “application to the federal Port Infrastructure Development Grant Program is planned. However, in order to ensure that the Wind Port is [completed] in time to serve Ocean Wind 1 and begin making money, we cannot wait to know if we will be awarded those funds. As such, the State will apply and, if successful, reduce any future [related] bond issuance by that amount.” This federal grant program is a $230 million federal program to support projects that will “strengthen and modernize port infrastructure, and can support shore-side wind energy projects, such as storage areas, laydown areas, and docking of wind energy vessels to load and move items to offshore wind farms.”

• Question: What is Ocean Wind 1? What is the expected return on investment of the Wind Port project and when does the Administration expect to breakeven and then “begin making money”? What economic benefits does the Administration expect
Discussion Points (Cont’d)

to gain from the Wind Port output in the long-run? How will the operation of the Wind Port affect energy costs for New Jersey consumers?

The New Jersey Economic Development Authority (NJEDA) and the Board of Public Utilities (BPU) are both in but not of (IBNO) Treasury and per statute are independent of Treasury. All answers below were provided by both NJEDA and BPU.

Ocean Wind #1 is an approved offshore wind project located off the coast of southern New Jersey, being developed by Orsted. The project, which is New Jersey’s first offshore wind project, will deliver 1,100 MW of clean energy, enough to power half a million New Jersey homes. Ocean Wind #1 was selected by the NJBPU Board in 2019 pursuant a competitive bid solicitation. The Ocean Wind project brings an estimated 15,000 jobs to New Jersey over the life.

Orsted intends to use the NJ Wind Port for the staging and assembly (i.e., marshalling) of Ocean Wind #1’s offshore wind turbines, with NJEDA and Orsted executing a Letter of Intent (LOI) in 2022 and currently working towards execution of a sublease agreement with a target for contractual close in Q3 2023.

Wind Port revenues are expected to exceed operating costs from 2024, excluding debt service and capitalization of a major maintenance fund. Based on current assumptions, NJEDA estimates that revenues will exceed expenses including debt service and major maintenance fund preservation from the mid-2030s. Estimates remain subject to change based on several variables including the final Phase 2 concept plan, funding/financing mix, and share of acreage allocated to marshalling versus component manufacturing (with marshalling generating higher revenue per acre compared with manufacturing but fewer jobs, meaning there is a trade-off between job maximization and revenue maximization).

Over its approximately 6-7 year construction period, the Wind Port will create significant economic stimulus, with much of this benefit accruing to communities proximate to the Port in Southern New Jersey. To date, Southern New Jersey businesses have been awarded contracts worth approximately $100 million. Minority-, women-, and veteran-owned businesses are also realizing significant benefits from the project. The NJEDA has established a requirement that at least 15 percent of the total construction value for the project be awarded to diverse businesses, setting a new standard of inclusion for minority-, women-, and veteran-owned businesses. Based on contract awards to date, over 50 percent of total awarded construction value has been awarded to MWVBE-certified businesses.

The true economic benefit of the Wind Port will be felt once construction completes and the Port is operational. At full-scale, the Port is expected to contribute $500 million to State GDP and to create up to 1,500 ongoing jobs, with many of these jobs in the manufacturing sector. By extension, the Port will have a significant economic multiplier effect throughout the region and state with research by the National Renewable Energy Laboratory (NREL) estimating that every direct job created at a wind manufacturing facility will create two indirect jobs elsewhere in the supply chain. Tier 1 component manufacturers basing
factories at the Port will need to draw on an ecosystem of Tier 2 and Tier 3 suppliers, meaning opportunities for small and medium sized manufacturing and services businesses across the state.

The construction and operation of the Wind Port will enable New Jersey to achieve its offshore wind targets, and by extension its net zero emission target, on-time and cost effectively – and, at the same time, seed a new industry in the state. In particular, the Port’s large acreage enables the co-location of marshalling and turbine manufacturing which results in considerable efficiencies (through avoided double handling costs that are incurred where manufacturing takes place elsewhere and components are shipped to a marshalling port). Co-location will lower project costs and in-turn lower energy prices for New Jersey ratepayers. The Port is one of very few ports on the U.S East Coast able to accommodate co-location.

Question: Has the Administration applied for grant funding under the federal Port Infrastructure Development Grant Program and if so, how is the Administration planning to use the funds? How sensitive is completion and operation of the wind port to changes in federal energy and environmental policies? What other non-General Fund capital sources have been obtained or can be pursued to provide funding for the Wind Port? Given inflation and supply chain issues does the Administration foresee any delays and cost escalations that may increase the project costs and require additional funding for the Wind Port?

The New Jersey Economic Development Authority (NJEDA) and the Board of Public Utilities (BPU) are both in but not of (IBNO) Treasury and per statute are independent of Treasury. All answers below were provided by both NJEDA and BPU.

NJEDA has not applied for federal funding to-date. This is due to the significant schedule impact that would result from federal funding when sized against the probable dollar award. Port Infrastructure Development Grant Program (PIDP) awards have averaged $14.7 million over the past 4 years, with the maximum award for a wind port related use of $48 million. Working with its technical advisors, NJEDA estimates that receipt of federal funding would delay completion of the Wind Port project by 2-3 years compared with a state funded scenario, which would mean the Port could not be brought online in time for New Jersey’s first offshore wind projects, in turn risking the attainment of the State’s 11 GW wind target by 2040 and risking the loss of supply chain jobs and investment to other states. NJEDA continues to actively explore federal funding for future phases of the project which could be utilized should it be determined that the project’s completion can be delayed without jeopardizing the state’s clean energy targets and first mover advantage in attracting supply chain jobs and investment.

Impacts to the construction of the Wind Port from changes in federal energy and/or environmental policies are negligible, with the exception of changes to the federal permitting process which could impact Phase 2 of the project (federal permit approval has been granted for the first 30 acres of the project). Material changes to federal permitting of
major projects, which would impact all major projects nationally across all sectors, is considered unlikely. Changes in federal energy and/or environmental policies that reduce and/or delay the wind project pipeline on the U.S East Coast could indirectly impact the Wind Port due to resultant reduced demand for port space; however, given national clean energy targets and the importance of offshore wind to achieving those targets, any pipeline slowdown would likely be temporary.

NJEDA has secured approximately $637 million in funding for the Wind Port project comprising $200 million in FY2022 appropriations, $265 million in New Jersey Debt Defeasance and Prevention funds, $13.2 million in NJBPU funding and approximately $160 million (excluding transaction costs) in project bonds. NJEDA continues to actively explore federal funding opportunities for future project phases which could be utilized should it be determined that the project’s completion can be delayed without jeopardizing the state’s clean energy targets and first mover advantage in attracting supply chain jobs and investment.

NJEDA took proactive steps to insulate the project from COVID-related supply chain impacts and subsequent price escalation, for example by accelerating the purchase of long lead equipment and materials, and by locking in contractors on fixed unit price contracts. Due to these measures the first 30 acres of the port, which is at 50 percent completion, remains on budget. However, project phases that have yet to commence construction, as well as enabling utility infrastructure such as an on-site substation and transmission line connection, are exposed to inflation-driven increases in materials and wages which is expected to increase costs above prior estimates. NJEDA is working diligently with its construction manager to size and, where possible to mitigate, these impacts. Actual cost impacts will not be known until the design of Phase 2 is more progressed.

**Question:** What is the State’s role and obligation in the long-term economic viability of the Wind Port and will future State appropriations be needed to maintain, equip, and improve the facility on an ongoing basis? If so, what is the administration’s estimate of the ongoing operating support that will be needed?

The New Jersey Economic Development Authority (NJEDA) and the Board of Public Utilities (BPU) are both in but not of (IBNO) Treasury and per statute are independent of Treasury. All answers below were provided by both NJEDA and BPU.

The New Jersey Wind Port is a unique public asset in that it is revenue generating. Wind Port revenues are expected to exceed operating costs from 2024, excluding debt service and capitalization of a major maintenance fund. Based on current assumptions, NJEDA estimates that revenues will exceed expenses including debt service and major maintenance fund preservation from the mid-2030s. Estimates remain subject to change based on several variables including the final Phase 2 concept plan, funding/financing mix, and share of acreage allocated to marshalling versus component manufacturing (with marshalling generating higher revenue per acre compared with manufacturing but fewer jobs, meaning there is a trade-off between job maximization and revenue maximization).
Discussion Points (Cont'd)

Project bonds issued in January 2023 are state appropriation-backed, insulating bondholders from any delays to revenue realization resulting from delays to wind farm developments and lease commencement dates and enabling the state to lower the project’s financing costs.

As a long-term revenue-generating asset the Wind Port will be highly attractive to private investors, such as pension funds, should a future administration determine to divest the asset and free-up public capital for reinvestment in other priority projects or programs.

• Question: Does the State have the infrastructure in place to generate the wind power goals projected in the Executive Orders once the wind port project is completed? What investments does the State need to make to have the infrastructure in place to accomplish the alternative energy goals outlined in Executive Orders 8, 92, and 307? What is the estimated cost of the infrastructure improvements and what funding sources has the State considered to pay for the improvements? What impact will the operation of the Wind Port have on the State’s ability to guard grid infrastructure against cyber-attacks? How does the State plan to deal with threats to Wind Port infrastructure posed by severe weather events?

The New Jersey Economic Development Authority (NJEDA) and the Board of Public Utilities (BPU) are both in but not of (IBNO) Treasury and per statute are independent of Treasury. All answers below were provided by both NJEDA and BPU.

The State is developing the Wind Port to address the current shortfall in fit-for-purpose port capacity, thereby safeguarding the State’s ability to deliver its 11GW offshore wind target on-time and cost effectively. In particular, the Port will be one of only a few ports on the US East Coast that meets the technical requirements of marshalling (e.g. no vertical restrictions between the Port and wind farms) and has the acreage sufficient to enable co-location of marshalling and turbine manufacturing which results in considerable efficiencies (through avoided double handling costs that are incurred where manufacturing takes place elsewhere and components need to be shipped to a marshalling port). This co-location will lower project costs and in-turn lower energy prices for New Jersey ratepayers.

NJEDA cannot speak to the other investments or to the cost of the other investments that are being or will need to be made to meet energy goals outlined in Executive Orders 8, 92, and 307, such as in onshore transmission distribution grids.

NJEDA has secured approximately $637 million in funding for the Wind Port project comprising $200 million in FY2022 appropriations, $265 million in New Jersey Debt Defeasance and Prevention funds, $13.2 million in NJBPU funding and approximately $160 million (excluding transaction costs) in project bonds. Through May 2023, NJEDA’s Board has approved approximately $517 million in project expenditure, of which approximately $220 million had been expended as of 3/1/23. Of the amount expended, NJEDA has fully expended NJBPU funds, drawn down on approximately $150 million in FY2022 appropriations, with New Jersey Debt Defeasance and Prevention funds making up the
Discussion Points (Cont’d)

remainder. NJEDA will draw down on the balance of the $637 million in funding over the remainder of FY2023 and FY2024. NJEDA anticipates that additional funding will be needed to complete Phase 2 of the project. The amount, timing and source of additional funding will be determined once the scope of Phase 2 has been finalized. Phase 2’s scope will be resolved upon the conclusion of NJBPU’s third offshore wind solicitation (NJ3), as Phase 2 planning is dependent on the local content commitments of projects awarded in NJ3.

The Wind Port will have no impact on the State’s ability to guard grid infrastructure against cyber-attacks.

The Port has been designed to mitigate the impact of a 100-year flood event as defined by FEMA. FEMA Flood Plain elevations recommends that access roads be protected to at least the 100-year flood elevation or maximum flood on record, whichever is higher; and critical infrastructure (such as electrical equipment) shall be located above the 500-year flood elevation, or elevated as required in the Uniform Construction Code, or UCC (N.J.A.C. 5:23), whichever is higher. These criteria have been incorporated into the design of the Port facility. In addition to the FEMA recommendations, an evaluation of sea level rise (SLR) for the project was performed based on the current New Jersey guidelines for Rising Seas and Changing Coastal Storms. Using the SLR projections and considering several flood events, the evolution of water levels over time at the site was estimated, and ultimately considered in the selection of minimum site elevations.

2c. On April 19, 2023, the Governor announced a plan to spend $2 million in offshore wind funds for three offshore wind environmental projects: a whale detection buoy, a study on animal diversity in the offshore wind lease areas, and funding to monitor offshore wind impacts on New Jersey harbor seal populations.

- **Question:** What contingency plans are in place to mitigate the effect on the budget and on the project of any environmental impact delays or infrastructure deficiencies? Are there currently any environmental impact delays?

*The New Jersey Economic Development Authority (NJEDA) is in but not of (IBNO) Treasury and per statute is independent of Treasury. All answers below were provided by NJEDA.*

Parcel A, an approximately 30-acre marshalling port is fully permitted and approximately 50 percent complete and remains on schedule for completion in Q2 2024 in time for Orsted’s Ocean Wind #1 project. Permits have been lodged for all other parcels, and NJEDA is working closely with federal and state regulatory agencies and does not anticipate any delays to future phases of the port project.

NJEDA is taking proactive steps to insulate the project from COVID-related supply chain impacts and subsequent price escalation, for example by accelerating the purchase of long lead equipment and materials, and by locking in contractors on fixed unit price contracts.

There have not been any environmental impact delays to the Wind Port project to date.
LIBERTY SCIENCE CENTER

3. SciTech Scity is a research campus within the Liberty Science Center in Jersey City focused on technological innovation and education. This past year, the City of Jersey City passed a resolution authorizing the creation and development of a math, science, and technology magnet high school within the campus. According to the Project Development Agreement, the Hudson County Schools of Technology will issue lease revenue bonds for the School Project and anticipates State aid support at 59 percent of the bond debt service. The project, which was approved by the Jersey City Planning Board in December of 2021, is estimated to cost $300 million. The FY 2023 Appropriations Act included $1 million in grant funding for capital investments at SciTech Scity in the Liberty Science Center. This funding is not recommended for renewal in FY 2024.

   • Question: What capital investments were funded by the grant? Do these funds provide initial funding or matching funds for any preliminary design or financing needs for the creation of the high school?

The grant funding represents the State’s initial investment to support consultants’ costs related to the development of SciTech Scity. Upon completion of the fiscal year, Liberty Science Center will provide an expenditure report detailing the uses of the grant funding.

INTERNATIONAL EVENT IMPROVEMENTS AND ATTRACTION

4. In response to the FY 2023 Discussion Points, the Executive Branch indicated that the International Event Improvements and Attraction account’s recommended $30 million appropriation for FY 2023 would be used “to support facilities in New Jersey that are competing to host international events and feature New Jersey on a global stage.” The preceding year, the FY 2022 Appropriations Act appropriated $15 million from the State Fiscal Recovery Fund for the World Cup and Meadowlands Complex.

   • Question: Please discuss the status of improvements for international events projects. How many FIFA 2016 World Cup games are expected to be played in New Jersey? To date, what funds have been expended for improvements and which facilities have been identified for improvement and for what purposes? Have any improvements, design, or construction projects begun? Does the State anticipate requesting additional funding for security during the event? If so, how much?

All answers below were provided by the New Jersey Sports and Exposition Authority (NJSEA).

The NJSEA anticipates between six and eight World Cup games will be held at MetLife Stadium. This number could increase because FIFA increased the overall number of games played during the tournament under its new format. To date, NJSEA has disbursed $630,302.81 to the New Meadowlands Stadium Company for expenses related to design and preconstruction work at MetLife Stadium in accordance with FIFA field specification requirements for hosting 2026 World Cup matches. Specifically, expenditures have been made for design work related to the temporary grass pitch and seating bowl modification as well as for the drafting of construction and design documents.
Additionally, funding was allocated to the NY/NJ World Cup Host Committee in the form of a $5 million revolving loan. These startup funds will allow the Host Committee to fulfill its initial obligations under the Hosting Agreements with FIFA until it can raise its own funds. To date, in response to advance requests from the Host Committee, the NJSEA has disbursed $1,910,800 from the revolving line.

Under the Hosting Agreements, both NYC and NJSEA/State of New Jersey committed to providing services in support of the games, including security. The final cost for the provision of these services has not been finalized.

**Question:** For what purposes will the facility or facilities be used after the 2016 World Cup games? If the facilities will not be used as renovated for the World Cup will the facilities be repurposed? If the facilities will not be used, what is the market value of the property and does the State intend to sell the properties? If costs were to exceed the amount budgeted for international events, how would the State cover unbudgeted increases?

*All answers below were provided by the New Jersey Sports and Exposition Authority (NJSEA).*

Any improvements made to the Stadium and surrounding facilities in preparation for the World Cup will be temporary in nature. Following the World Cup games, the Stadium will be restored to ensure suitability for use by current NFL teams and other existing uses. At present there is no plan to sell the properties. The Host Committee was formed, in part, to raise revenue in support of the obligations of the Host City partners. To that end, the Host Committee is empowered to generate revenue by monetizing the rights and assets granted in the Rights Package Agreement with FIFA and to use that revenue to fulfill the obligations of the Host City partners.

### NEW JERSEY DEBT DEFEASANCE AND PREVENTION FUND

5. A total of nearly $9 billion was appropriated to the Debt Defeasance and Prevention Fund in FY 2021 ($3.7 billion) and FY 2022 ($5.150 billion). Of the total a little under $2 billion remains to be allocated. In addition, the Governor’s FY 2024 Budget recommends a FY 2023 supplemental appropriation of $2.35 billion to the Debt Defeasance and Prevention Fund.

**Question:** What is Treasury's plan for the remaining Debt Defeasance and Prevention Fund balance of under $2 billion? Is Treasury anticipating another debt defeasance using the unallocated balance? If so, what bonds is Treasury considering for defeasance and what would be the projected debt service savings? What capital projects will Treasury recommend funding with the remaining $2 billion balance? For each recommended project, please provide the anticipated cost, where the project is in the planning cycle, its completion date, and a justification as to the need of the project and its anticipated benefits.

At present, Treasury has identified two high-priority capital construction projects, the State Police Training Facility and Edna Mahan Prison Relocation, pending proposals to JBOC.
Discussion Points (Cont'd)

Additionally, the Department continues to evaluate the State’s existing debt obligations, on an ongoing-basis, to identify high-interest bond series for which defeasance could provide substantial savings to the State. Future allocations from the fund will be determined through discussions with the Administration and Legislative leadership in order to best meet the State’s Capital and Defeasance needs.

• Question: What is Treasury's plan for the recommended FY 2023 Debt Defeasance and Prevention Fund deposit of $2.35 billion? Is Treasury anticipating another debt defeasance using the recommended deposit? If so, what bonds is Treasury considering for defeasance and what would be the projected debt service savings? What capital projects will Treasury recommend funding with the recommended deposit? For each recommended project, please provide the anticipated cost, where the project is in the planning cycle, its completion date, and a justification as to the need of the project and its anticipated benefits.

Please see answer above, which is relevant to both the current unallocated balance, and the proposed FY2023 deposit.

CAPITAL CONSTRUCTION

6a. The Interdepartmental Accounts budget includes recommendations for capital improvement projects for statewide programs and capital projects administered by the Department of the Treasury on behalf of State agencies. These capital projects are funded through annual appropriations and are classified as pay-as-you-go capital projects as compared to capital projects funded (1) through general obligation bonds approved by the voters and guaranteed by the State; (2) bonds issued by semi-autonomous authorities, normally repaid over the life-expectancy of the project and funded by annual appropriations of the Legislature; and (3) master lease program projects. These pay-as-you-go Interdepartmental Accounts projects include roof replacements, building equipment acquisition, renovations, life/safety improvements, information technology improvements, statewide energy efficiency projects, Americans with Disabilities Act compliance, mandated programs such as open space acquisition, and remediation of hazardous waste and industrial sites.

In the Interdepartmental Accounts budget projects are budgeted in several line items, including the Capital Improvements, Capital Complex line item; the Capital Improvements Contingency line-item; the Capital Improvement, Statewide line item; the Life Safety, Emergency and IT Projects-Statewide line item; the Capital Security projects line item; the New Jersey Building Authority line item; and the Garden State Preservation Trust Fund account.

The FY 2024 Governor’s Budget recommends an appropriation of $208.5 million to pay for capital improvement projects in the budget year, which is consistent with the amounts appropriated in FY 2022 and FY 2023. This FY 2024 recommendation is comprised of debt service payments of $9.2 million for the New Jersey Building Authority, and $97.7 million for the constitutionally-mandated Open Space Farmland, Parks and Historic Preservation programs. Discretionary requests include $31 million for Life Safety, Emergency and Information Technology projects, $5 million for Capital Security projects, and $9 million for
Discussion Points (Cont’d)

Capital Improvement Contingency projects. In addition, various discretionary projects at State-owned facilities operated and maintained by the Division of Property Management and Construction are included in the Interdepartmental Accounts budget.

•  **Question:** What is the total discretionary Interdepartmental Accounts budget capital outlay need and what level of funding over how many years is necessary to complete these projects? At what stage in the project life cycle are these projects? At what stage in the project life cycle will improvements need to be undertaken again? Does the State have any financial investment that would return sufficient funds on an ongoing basis that could provide funding for continuous and ongoing discretionary Capital Projects - Statewide?

The Interdepartmental section of the FY24 Budget provides for $56.6m in Capital Improvements, Statewide. A detailed project list that spans several agencies has been provided in response to the OLS inquiry “Set 5 - Capital Construction Component”. The list includes the following Interdepartmental-related projects managed by DPMC:

- A1364-00 (Print Shop - Rooftop HVAC Upgrades) – This $2.6m project will replace the HVAC systems at the Print Shop which are well beyond their service life.
- A1375-00 (Distribution Center Expansion of Cold Storage Capacity). This $2.305m project will expand the current cold storage capacity by constructing a 5,500 square foot addition, which will increase storage capacity to 200+ pallets.
- As per DPMC requirements, full funding (of the anticipated total project costs) is typically required at project initiation.

The Print Shop project is out to bid for construction and the Distribution Center Cold Storage Expansion project is in the scope of work development phase.

•  **Question:** Which discretionary projects at State-owned facilities are operated and maintained by the Division of Property Management and Construction and are included in the recommended FY 2024 Interdepartmental Accounts budget? What is the total cost of each project?

Please see the answer above regarding capital improvement projects managed by DPMC.

6b. The FY 2024 Governor’s Budget recommends an appropriation of $9 million for the Capital Improvements, Contingency account, an increase of $6 million over the FY 2023 appropriation. According to the FY 2024 Capital Commission Recommendation Report, “this funding will provide the Division of Property Management and Construction with the means to advance capital projects that have been put on hold due to funding shortfalls.”

•  **Question:** Is the hold due to funding shortfalls or is the hold due to a timing issue, matching available funding with projects that are ready to go? Which projects have been put on hold due to shortfalls? Please provide an itemized list of these projects and the amounts dedicated to them from the $9 million.

Projects are placed on hold in consultation with the agencies. On all projects, the Agencies are continuously advised by DPMC of the anticipated project costs throughout the design
and bid processes so that they can take action to seek additional funding if costs increase, or to reduce the project scope or take other available actions to lower the project cost. With that said, there are many other projects with shortfalls that remain “in progress,” that have not been placed “on hold.” The list below only includes projects formally requested by the Agencies to be put “on hold” due to funding shortfalls.

The below projects have been on hold due to shortfalls:

- **A1364-00 (Print Shop – Rooftop HVAC Upgrades)**
  - Project design complete and ready to go out to bid. Placed on hold around 3/29/23 due to funding shortfall at (-$2,598,056).

- **C0964-00 (East Jersey Correctional Facility – Drill Hall & Admin Building Roof Replacement)**
  - Project initiated via Project Alert by DOC on 11/10/16. DPMC was never notified to restart the project, and due to the delay, it is clear that funds are insufficient to complete the project. The anticipated project costs and/or the shortfall cannot be determined at this point.

- **C0965-00 (East Jersey Correctional Facility – Fire Suppression & Detection System)**
  - Project initiated via Project Alert by DOC on 11/10/16. Due to significant roof leaks with the areas, DOC requested DPMC to place the project on hold, and advised that they would be seeking additional funding. DPMC was never notified to restart the project, and due to the delay, it is clear that funds are insufficient to complete the project. The anticipated project costs and/or the shortfall cannot be determined at this point.

- **C0966-00 (New Jersey State Correctional Facility – Secondary Egress Installation)**
  - Project initiated via Project Alert by DOC on 11/10/16. On 9/29/17, DOC requested DPMC to put this project on hold and initiated a Feasibility Study which included evaluation of egress, along with other fire safety code issues at the facility. The feasibility study was completed around 1/17/23, and the anticipated costs to address the identified issues fire code violations was $25,999,384. DPMC was never notified to restart the project, and based on the feasibility study it is clear that funds are insufficient to complete the project.

- **C0974-00 (Mid-State Correctional Facility – Camera Project)**
  - Project initiated via Project Alert by DOC on 5/19/17. DPMC has reached out to DOC numerous times regarding the funding status of this project with no response. Therefore, the project has been on hold, and DPMC does not have sufficient information about the anticipated project costs and/or funding shortfall.

- **C1028-00 (Garden State Correctional Facility – Locking System & Control Panel Upgrades)**
  - Project initiated via Project Alert by DOC on 8/5/19. DOC requested DPMC to place the project on hold until 12/6/21. The projected funding shortfall is $2,527,842

- **C1030-00 (East Jersey Correctional Facility – Retention Pond and Storm Water Rehabilitation System)**
  - Project initiated via Project Alert by DOC around 2/5/20 with the total project cost around $65,000. DOC requested that the project be put on hold
Discussion Points (Cont’d)

due to funding shortfalls shortly thereafter, although it did not provide DPMC with the precise amount of the shortfall.

- S0617-00 (Doves Residential Community Home – Roof & Façade Rehabilitation and Repair Project at Highfields Mansion)
  - Project initiated via Project Alert by JJC on 10/25/17. On 11/6/19, JJC requested that the project be put on hold due to a funding shortfall of $489,511.

The FY24 Capital Improvements, Contingency appropriation will be used to fund project shortfalls as they are identified throughout the course of the fiscal year and may include some of the projects listed above.

6c. The FY 2023 Appropriations Act appropriated $3 million in funding for the Capital Improvements, Contingency Account. The State accounting system suggests that approximately $78,000 of these funds have been expended to date and approximately $1 million have been encumbered.

• **Question:** Please discuss which projects the $78,000 funded and for which projects the Administration encumbered the $1 million.

It is expected that the $3m appropriation will be fully spent and/or obligated before the end of the fiscal year. The following projects are currently encumbered to address various project shortfalls and repairs:

- A1296-00 (Justice Complex - Emergency Generators) - $114,770
- J0382-00 (Drumthwacket - Fence and Gate) - $35,624
- J0389-00 (Mary Roebling - Multi-Discipline Engineering) - $20,330
- A1373-00 (Drumthwacket - Mansion Inter Repair) - $141,829
- C1058-00 (Switchgear Repair at Garden State Youth Correctional Facility) - $712,088

**STATE HEALTH BENEFITS**

7. The graph illustrates the 14-year trend in health benefit costs for State employees and retirees of the State Health Benefits Program.
As the graph shows, total health care costs fluctuated from 2009 through 2023 and from 2017 through 2023, at compound annual growth rates of 3.54 percent and 1.93 percent, respectively. These increases were impacted by medical inflation, plan structure, State and federal mandated benefits, rising costs in prescription drugs, changes in health care delivery, chronic conditions, utilization, the COVID-19 Pandemic; and global supply chain shortages.

To counter these forces, the State Health Benefits Plan Design Committee has, over the past decade, implemented cost saving measures to contain costs. This is evidenced most visibly in the prescription drug trend line in the graph.

**Question:** Why are prescription drug costs bouncing around so much, especially compared with the relative stability of medical claims costs? What caused the spikes in prescription drug costs in PY 2015, PY 2019, and again in PY 2022? In each instance, which initiatives brought the costs down below the medical inflation rate and how did each initiative accomplish the goal? Are the initiatives still effective? Which of the initiatives have to be renewed and how often? Which initiatives are contractual? Which initiatives provided one-time savings? Which initiatives did not deliver as promised? What are the most prevalent factors driving current prescription drug cost increases?

Over the last 15 years, the health care marketplace has experienced a variety of changes in the management of prescription drug benefits as compared to how patients have historically received medical care. Advancements in the prescription drug marketplace,
including the introduction of new therapies and how prescription drug benefits are managed under the program, has contributed to greater volatility in the prescription drug marketplace. The SHBP proactively manages its health care expenditures and, over time, has addressed emerging sources of volatility.

Leading up to Plan Year 2016, prescription drug costs grew in part due to the over-utilization of compounding drug pharmacies and the introduction of new therapies for treating Hepatitis C. The SHBP Plan Design Committee approved changes which limited the plan’s coverage of compound drugs and identified a preferred therapy as the first line of treatment for members prescribed a Hepatitis C medication. These changes resulted in significant prescription drug cost savings for the SHBP from Plan Year 2015 to Plan Year 2016, most notably through limiting the plan’s over-utilization of compounding drug pharmacies. These initiatives remain in effect as of this time.

Prior to Plan Year 2019, a variety of administrative and plan design changes were made to the Rx plan. These changes include stronger requirements to use generic drugs, a more narrow prescription drug formulary, an expansion of the step therapy program, and the introduction of a new Pharmacy Benefit Manager (PBM) effective in January 2018. These changes resulted in compounding sources of overall plan cost savings through lower gross prescription drug claims and increases in prescription drug rebates from Plan Year 2016 through Plan Year 2018. After the introduction of the new PBM in 2018, prescription drug rebates experienced a lower year-over-year increase than in the two years prior, resulting in a modest increase in net prescription drug costs from 2018 to 2019 as compared to the sharp decline in net prescription drug costs from 2017 to 2018.

In more recent years, the prescription drug marketplace has experienced significant growth in high-cost specialty drugs. The advancement of the specialty drug pipeline is the most prevalent factor in driving current prescription drug cost increases, with current projections indicating that specialty drugs account for over 40% of the plan’s prescription drug costs, per member per month. Prescription drug trends are expected to increase as these high-cost specialty drugs experience increasing utilization as new therapies are introduced to the market.

While each initiative implemented by the SHBP Plan Design Committee resulted in one-time savings, these one-time savings have a cascading effect which result in lower prescription drug costs overall in future years as compared to if these initiatives were not adopted or were reversed. The SHBP Plan Design Committee annually approves the continuation of formulary management and generic substitution requirements, which remain in effect as of 2023.

- **Question:** What caused the incurred medical claims cost and aggregate costs to exceed the Aon trend (medical inflation rate) in PY 2011, PY 2018, and PY 2021? What savings initiatives were implemented to control these costs and how did the initiatives accomplish the goals? Which initiatives delivered the anticipated savings and over what time frame? Is the State Health Benefits Program still accruing benefits in terms of trend savings from these initiatives and if so what amount? Which initiatives provided one-time savings? Which initiatives did not deliver as
promised? What are the most prevalent factors driving current medical cost increases?

Leading up to Plan Year 2011, certain state and federal health care reforms were expected to result in greater medical costs for the SHBP. Among these changes include the continuation of dependent coverage to age 26 and the elimination of maximum benefit amounts, the latter of which only affected out-of-network coverage within the SHBP (at the time there were no in-network benefit maximums for plans offered in the SHBP).

Section 9010 of the Affordable Care Act included a provision establishing the Health Insurer Fee (HIF). While the collection of the HIF was suspended by the federal government for Plan Year 2017, it was reinstated for Plan Year 2018 resulting in medical cost increases associated with Medicare Retirees enrolled in Medicare Advantage plans.

The COVID-19 pandemic had a significant impact on Plan Year 2020 medical costs, particularly driven by reductions in utilization resulting from strains on the health care system. As the pandemic became more controlled and the health care landscape adapted, the SHBP experienced a “bounce-back” of utilization across the board in Plan Year 2021 resulting in greater medical costs from Plan Year 2020 to Plan Year 2021. This is broadly attributed to the deferral of care which resulted in overall medical cost decreases from Plan Year 2019 to Plan Year 2020.

Whereas the SHBP addressed rising prescription drug costs resulting from the over-utilization of compound drugs through plan design changes, these specific drivers of medical costs affecting Plan Years 2011, 2018 and 2021 are a result of external forces which broadly affected the health care landscape in the United States and were not specifically addressed through targeted plan design changes. However, the SHBP has pursued initiatives to control increasing medical cost inflation through targeting other specific drivers of medical costs such as implementing controls on out-of-network reimbursements for certain services, changes in the reimbursement structure for out-of-network services and introducing new plan design options. The SHBP experienced tangible and ongoing savings resulting from changes made to the reimbursement of out-of-network services and from enrolling Medicare-eligible retirees in fully insured Medicare Advantage plans which are still in effect.

In the future, economy-wide inflation is expected to place continued upward pressure on the cost of providing medical care at all sources. This is expected to be experienced gradually by medical plans as provider contracts are renewed at higher rates than anticipated and as the cost of providing care continues to rise.

8. According to the State Health Benefits Plan Design Committee, Horizon reported that in 2021 State actives specialist visits increased by 8 percent compared to 2019 and by 20.9 percent compared to 2020. In September, the State made an agreement with certain unions representing State employees, to pay for 97 percent of the anticipated FY 2023 increase in contributions for State employees, in exchange for increasing the copay for specialty visits by $15 beyond the copay for primary care visits effective January 1, 2023.
Discussion Points (Cont’d)

• **Question:** What are the expected effects of an increase in the specialty copay on specialist utilization? What was the assessed probability that potential effects might negatively impact health outcomes? If the $15 increase in copays does not have the effect of changing member utilization would a return to a “point of service” plan design be worth exploring to encourage primary care medical management or would it be more efficient and effective to increase the specialist copay even higher to encourage primary care medical management?

Increases in participant costs for any service would potentially result in a change in utilization for that service. However, the magnitude of participant cost sharing increases are important to consider, as only a modest change in out-of-pocket costs may have no impact on a participant’s decision to seek alternate care. The increase in copay differential between primary care and specialty care physician visits was not assumed to materially impact participant health outcomes or significantly divert necessary care away from specialists.

• **Question:** Are there any studies investigating which option is more effective at directing member utilization controlling for (1) health outcomes and (2) controlling for cost? Under a point of service model, if a primary care physician refers a patient to a specialist, does the member pay both the primary care copay and the specialist copay, or just one copay? What amount of increased specialist utilization do the Administration and its vendors attribute to post-Pandemic pent-up demand for healthcare services? What amount of increased specialist utilization do the Administration and its vendors attribute to other factors such as an aging member base, increased incidence of chronic or acute illness in the State, etc.?

Members enrolled in HMO plans offered by the SHBP/SEHBP use a point of service model. Under a point of service model, when a member has two visits, i.e. one with PCP and another with specialist, the member will pay the applicable two copays. Member cost sharing requirements are balanced by separate strategies that provide integrated support for complex and chronic members.

It would be speculative to quantify a breakdown of utilization increases since there are myriad reasons that drive utilization, including but not limited to members’ personal health risk factors, plan design, and the availability and marketing of health care providers and services. Members do not have requirements to report on the reasons behind their care choices, making it challenging to quantify the impact on utilization trends. Increases in morbidity from aging, acquired, or worsening conditions could increase utilization of services and the duration of that demand could vary depending on the health needs of each member.

FY 2023 State Health Benefits Premium Increase and Resulting Migration

9a. According to an article from NJ.com, some local governments are dropping the State Health Benefits Plan and signing on with private insurers in the wake of the FY 2023 premium
Discussion Points (Cont'd)

rate increase for local governments of approximately 23 percent. Larger local governments such as Newark, Trenton, and Camden are among them.

• **Question:** How many local governments have dropped the State Health Benefits Plan? What portion of the total membership does this represent? How will this exodus impact costs for those who remain? How much of the overall cost increase from rate hikes and outward migration will be covered by the $200 million appropriation from State Fiscal Recovery Funds (SFRF) as mentioned in the Governor's FY 2024 Budget in Brief?

There are 28 Local Government employers who have terminated coverage with the SHBP. This represents 13.5% of Local Government members. Local employer premiums rates have historically included adjustments for changes in employer participation and this year is no different. In setting Plan Year 2023 rates, the plan actuaries included assumptions about likely changes in employer participation, which is referred to as an Anti-Selection load. Based on a review of known employer entrants and terminations through February, the Plan Year 2023 Local Anti-Selection load was increased from 25 basis points (bps) to 100bps. Decisions on the use of SFRF appropriations will be developed in conjunction with the Legislature.

9b. According to the Governor's FY 2024 Budget in Brief, “[the $200 million in] one-time grants would be conditioned on sustainable and actuarially verified savings ideas, which could include but not be limited to value-based and alternative payment models, medical pharmacy reforms, and migration from legacy plans.”

• **Question:** Please discuss these ideas in depth and describe how the Administration plans to “condition” such payments on sustainable and actuarially verified savings ideas.

The Administration will seek approval for this funding once there has been agreement on sustainable savings, verified by DPB’s health benefits actuary, with its partners in labor and the Legislature.

**Navigation and Advocacy Program**

10. In January 2020, Horizon implemented Horizon Health Guide, a navigation and advocacy program designed to reduce healthcare costs for the State’s Health Benefits programs by guiding members to efficient providers. In the Plan Year 2022 Rate Setting Recommendation Analysis, the State’s Health Benefits Consultant, stated that the program’s implementation would, “reduce ... projected Plan Year 2021 medical claims by 3.5 percent and Plan Year 2022 medical claims by an additional 3 percent...[for Active and Early Retirees based on Horizon’s estimates].” In late 2022, Bloomberg reported that the State continued to pay for the program, despite the fact that the Division of Pensions and Benefits within the Department of the Treasury had filed an internal complaint against Horizon in May of 2021 and requested the return of $34 million for failure to deliver program services.
Discussion Points (Cont’d)

• **Question:** Does the premise of the program, i.e., guiding members to more efficient providers create unfair business practice conflicts for Horizon? Are there any legal, financial, and proprietary business barriers that precluded Horizon from meeting the State’s expectations? Please discuss. Where does the resolution to this disagreement stand?

   Horizon did not raise these concerns with the State. We can confirm that the Division of Pensions and Benefits (DPB) did file a complaint over the implementation of the navigation and advocacy requirements in the current contract and the DPB remains in discussions with Horizon about resolving that complaint. As such, we cannot make any further statements about the progress of those discussions.

• **Question:** Please describe the navigation and advocacy program services that the State expected Horizon to provide under its contract with Horizon and how the delivery or non-delivery of those services did not meet expectations. What amount in savings was anticipated to be achieved by the navigation and advocacy services program? What was the contractual cost of the program? What amount has the State paid for the program to date?

   The full scope of the navigation and advocacy requirements of the contract effective with PY2020 are listed in detail in the RFP Section 3.2. See attached Bid Solicitation (T2846–State Health Benefits Program and School Employees Health Benefits Program Plans).

   Horizon’s bid submission and the renewal information Horizon developed for premium rate setting in Plan Years 2020 through Plan Year 2022 reflected an annual reduction of 3% of medical costs related to the navigation and advocacy services program.

   The Navigation Advocacy fee in the original bid solicitation was a separate Per Employee Per Month amount (PEPM) from the base health plan administration PEPM amount. The Navigation Advocacy fee included the Navigation/Advocacy elements as well as other routine member services. The Navigation Advocacy fee for Plan Year 2023 was reduced from $9.45 PEPM to $4.25 PEPM after the State discontinued several sections of the Navigational Advocacy requirements in section 3.2.

**Out-of-State Claims**

11. Public records requests from Bloomberg indicate that as recently as 2022 the Department of the Treasury was investigating out-of-state medical claims, which resulted in millions of dollars of payments by the State health benefits plans beyond the amount billed by providers. The current contract with Horizon, contains a “Lessor-of-Requirement” designed to protect the State health benefits plans by “[paying] the lower of the [a] Provider’s billed charges and [b] the Vendor’s discounted or negotiated rate with a provider.

   According to Bloomberg, the provision was ineffective at curbing overpayments, which totaled $18 million more than billed charges in 2020 for the 50 largest out-of-state claims. The records requests show that Department officials sought to involve the State’s third-party medical claims reviewer in their investigation, a contractor “responsible for the strict
oversight of the adjudication and processing of direct payments for health care services” for the State’s health benefits plans under current law, which requires the State to procure a third-party medical claims reviewer. Horizon refused to provide information about certain out-of-state claims however, arguing that the law’s requirement that State health benefits plan carriers provide detailed claims data to the State’s third-party medical claims reviewer did not apply to claims outside the carrier’s network. Out-of-state claims incurred within the greater Blue Cross Blue Shield Network, known as the BlueCard Program, which connects the 36 individual Blue Cross Blue Shield entities, result in providers charging members the rates negotiated under their agreement with the local Blue Cross Blue Shield program. According to Horizon, out-of-State claims are paid according to the State’s contract with Horizon. Out-of-state claims incurred outside the greater Blue Cross Blue Shield Network are out-of-network and billed accordingly.

• Question: If out-of-State claims are paid in accordance with the State’s contract with Horizon, does this mean that if an in-network Provider in the State Health Benefits Program is paid a higher contractual rate than an in-network Provider under contract with Horizon in another state, that the Provider in the other state will be paid the higher State Health Benefits contractual rate if that Provider treats a member of the State Health Benefits Program despite the “Lessor of Requirement”?

It is Treasury’s expectation that Horizon must comply with the State’s contract requirement for all claims and that the State would incur only the lower of the (a) provider’s billed charges and (b) the contractor’s discounted or negotiated rate with a provider. However, the State is not a party to, nor does it have knowledge of Horizon’s negotiated contracts with its providers whether in-State or out-of-State; and therefore, Treasury cannot respond to a hypothetical scenario to the extent that it may require a legal interpretation.

• Question: What adjudication prevails when an insurer has entered into contracts with providers that result in conflicts of interest? Are there any precedents in contract law that would guide such a case, such as the first contract guides the conflict or the second contract signed overrides the first contract?

It is not clear what the question regarding “conflict of interest,” the “first contract,” or the “second contract” is asking. Any actual dispute would be informed by the specific facts of that case, and therefore Treasury cannot respond to a hypothetical scenario.

Note that the vendor selected for the Health Benefits Administrator contract was anticipated to have contracts with all in-network providers that may set rates for health care services offered by that provider. See RFP Definitions for Network, Network Provider, and Discount, such that the existence of those contracts is not considered to be a conflict. See attached Bid Solicitation (T2846–State Health Benefits Program and School Employees Health Benefits Program Plans).

• Question: Given Horizon’s position on its responsibility to provide “claims data on claims outside the carrier’s network,” is this dispute regarding certain out-of-State claims more about the cost of out-of-network claims or both the cost of in-network and the cost of out-of-network claims? What is the magnitude of the cost
of the out-of-State claims issue in terms of dollars and the State's annual spend for member health care? Is this just an unavoidable cost of doing business? Where does the resolution to this disagreement stand?

The SHBP and SEHBP both cover the cost of health care provided by out-of-State providers. Some of out-of-State providers will be part of Horizon's network. Others will be part of the larger BCBS network. Others will be out of network entirely. Since members are not restricted to certain out-of-State providers, costs from each are anticipated.

The dispute over “lesser of” involves both in-State and out-of-State claims. The value of the claims is part of the dispute and has not been resolved. The State’s annual spend on out-of-State claims for SHBP and SEHBP member medical care approximate 12% of total spend and in Plan Year 2022 exceeded $550 million.

The State is working to aggressively enforce its contract with Horizon and has been engaged in discussions to resolve these concerns. Thus, we cannot comment further about those discussions.

Prior Authorization

12a. According to Axios News, 42 US states are considering legislation that would change or limit prior authorization requirements in 2023. In addition, federal legislation that would reform prior authorization requirements was introduced in June of 2022. Reports from other news sources suggest that examinations of claims prior to payments have saved New Jersey tax payers $128 million. Arguments supporting prior authorization requirements claim that oversight of the medical necessity of medical services and prescription drugs saves health benefit plan costs. Arguments against prior authorization claim that it creates unnecessary delays in patient care and imposes administrative burdens on doctor's offices which can cost the average doctor's office approximately $55,000 per physician per year to obtain prior authorization approvals from insurance companies.

New Jersey is among these states in which the Legislature is introducing bills that would limit the number of days an insurer has to approve or deny a request and remove the need for additional approval if a patient with a chronic condition changes healthcare plans. One of New Jersey's introduced bills would reduce the time in which an insurer has to respond to most authorization requests for services from 15 days to 48 hours. Under Horizon's current prior authorization timeframes, decisions for urgent care authorizations are required to be delivered within 72 hours, decisions for authorization requests for non-emergency services are required to be made within 15 days from the receipt of the request, and decisions for post service authorization requests are required to be made within 30 days from the receipt of the request.

Question: Has the State realized savings from prior authorization requirements? How consistent are these savings? How reliable are these savings? How dependent is the State on these savings?
Discussion Points (Cont'd)

Prior authorization (PA) helps in controlling fraud, waste, and abuse by requiring advance approval for certain services before a specific service is delivered to the member. PA approvals are provided for services that are medically necessary.

The State realized $77.1 million in savings in Plan Year 2022 as a result of Prior Authorization services being in effect.

• **Question:** Are there any consequences that members would experience if the prior authorization requirements are changed or eliminated, such as changing the prescription drug formulary to exclude some medications that require prior authorization and excluding various medical procedures from those that would have been approved?

For pharmacy benefits, prior authorization (PA) ensures the use of clinically appropriate therapies. PA produced close to $100 million in savings in 2022 for the SHBP and SEHBP. This savings is attributable to cost avoidance from members trying to access therapy that is not clinically appropriate based on FDA labeling and clinical practice guidelines. Doing away with the PA process would not directly affect members, as they would continue to have access to therapy. However, the cost to the plan would significantly increase because of an expansion of therapies that could be approved at an unknown cost.

It the existing PA process was eliminated for medical benefits, it is expected that members would be exposed to more unnecessary or unproven procedures that would both increase the overall cost of care due to direct and indirect costs and reduce the quality of care.

• **Question:** Does Horizon offer electronic prior authorization services to its providers and how would this allow the State Health Benefits Program to continue to realize efficiencies from prior authorization requirements and relieve the provider practices from the costly administrative burden of seeking prior authorization approvals for their patients?

Yes, Horizon does offer electronic prior authorization services through a provider portal.

12b. According to Health Affairs the cost to physician practices of interactions with health plans to resolve administrative issues such as prior authorization requirements is $23 billion to $31 billion each year.

• **Question:** Are electronic prior authorization systems prohibitively expensive and if not, how would the implementation of electronic prior authorization processes affect the rising cost of health care and the cost of health care to the State Health Benefits Program?

Horizon already provides electronic prior authorization services.

Plan Design Resolutions
Discussion Points (Cont’d)

13a. During the September 14, 2022 meeting of the State Health Benefits Program Plan Design Committee, a motion was made to introduce five resolutions for a vote. The motion to adopt these five resolutions did not pass. The group of five resolutions being considered included resolutions to (1) evaluate Point Solution Programs; (2) implement a Medical Specialty Program; (3) clarify who is eligible to participate in the Responders Primary Care Medical Home Pilot Program; (4) establish a Claims Stabilization Reserve Fund; and (5) explore Broad-based Reference Based Pricing Methods for utilization by the State Health Benefits Program.

**Question:** Please explain the arguments for and against each of these resolutions specifically with regard to its ability to be implemented without reducing the actuarial value of the plans and the health benefits coverage it provides to members.

There was insufficient time to provide analysis on the each of the resolutions referenced in this question prior to the introduction and vote on the resolutions that occurred during the September 14, 2022 meeting of the State Health Benefits Program (SHBP) Plan Design Committee (PDC). The five resolutions did not receive a vote of the majority of the Committee members. The SHBP PDC requested the assignment of a Super Conciliator through the Public Employees Relations Commission pursuant to N.J.S.A. 52:14-17.27b. A working session with the Super Conciliator is scheduled for June 20, 2023.

The resolutions included requirements that went beyond SHBP PDC’s statutory authority to make available plans with at least three levels of coverage and to set the establishment of copayments, deductibles, and other participant costs. For example, the resolutions included requirements for the procurement of contracts and for the appropriation of $750 million of federal funds to already established State and local government Claims Stabilization Reserve Funds.

Prior to the introduction of these resolutions and after the September 2022 PDC meeting, resources have been dedicated to the advancement of some of the resolutions. Two PDC subcommittees have met several times to review Reference Based Pricing Methods and Specialty Pharmacy program options. The Division of Pensions and Benefits also developed evaluations of existing Point Solutions, which resulted in the termination of one point solution. These in-depth analyses are ongoing.

13b. The Claims Stabilization Reserve Fund Resolution if passed, would have directed “the Division of Pensions and Benefits to establish a claims stabilization reserve fund for State plans similar to the one that exists for local government plans with the objective of using gains from a current fiscal year to cover future fiscal year shortfalls. Currently, according to the resolution, State group gains are “not reserved for future use to stabilize plan rates.”

**Question:** Are there any legal or regulatory barriers to the State establishing a Claims Stabilization Fund for the State Health Benefits Fund – State, for example, with regard to meeting the requirements and regulations of section 125 of the Internal Revenue Code or the Governmental Accounting Standard Boards with regard to fund and reserve classifications?
A Claims Stabilization Fund for the State Health Benefits Fund – State already exists.

- **Question:** Given that the State Health Benefits Fund is operated on a pay-as-you-go basis and the State and the employees are the primary contributors to the fund, how would a claims stabilization reserve be funded and administered?

A Claims Stabilization Fund for the State Health Benefits Fund – State already exists and is funded on a pay-as-you go basis. The majority of the resources into the Fund are from annual State appropriations.

13c. The Medical Specialty Pharmacy resolution would have directed the Division of Pensions and Benefits to implement a medical pharmacy program commencing January 1, 2023 and solicit bids for a third-party contractor to oversee the program no later than Plan Year 2024 with the objective of controlling specialty prescription drug costs. According to the resolution, specialty drugs currently account for 50 percent of the employers' costs for drugs. That resolution stated that a medical pharmacy program has the potential to save $1.18 billion over a three-year period. A medical pharmacy is a very specific way to provide specialty drugs to a patient population who requires complicated services and extensive care. It is a patient-focused model that may include more services than a retail pharmacy such as coordination between the plan and a patient's doctor, clinical interventions, patient monitoring for safety and efficacy for potential drug interactions.

- **Question:** Please discuss what a medical pharmacy program is. What are the advantages and disadvantages of implementing a medical pharmacy program? Does a medical pharmacy program actually have the ability to save $1.18 billion over a three-year period? If so, why was the resolution not passed? What would be the immediate budgetary impact of establishing a medical pharmacy program?

A medical pharmacy program refers to medications that are administered by a medical provider in a clinical setting. Administration of member medications are provided in a hospital facility, infusion centers, and outpatient facilities as well as through home infusions.

The Division of Pensions and Benefits is working with a Plan Design Committee joint subgroup that is exploring potential alternatives. The specific requirements and design of a pilot program solely related to medical pharmacy would be subject to approval from the Plan Design Committee.

It is unclear if the referenced $1 billion in savings would be generated from spending reductions or cost avoidance. The State did not generate the savings estimate and would need to understand the assumptions made to calculate the estimate. Separate analyses would be needed to identify any member disruption and the operational and financial impact on existing contracts and services.

13d. The Reference Based Pricing Resolution would have required the State Health Benefits Program to explore options to lower costs by paying reasonable prices to providers for services rendered. The resolution states that in 2020 the SHBP paid prices for services
that were 235 percent higher than the prices Medicare would have paid for the same services. According to the State Health Benefits Plan Design Committee, under referenced based pricing and bundling of services “set pricing for specific procedures and services can be pursued with providers and facilities with high quality performance standards (e.g. centers for excellence). The Division of Pensions and Benefits would need to develop performance criteria to ensure member care is not compromised as measured by low readmissions and fewer complications, for example."

• Question: Would a reference based pricing strategy be in conflict with any current contracts? What are the arguments for and against implementing a reference based pricing strategy? Are there any barriers to or consequences of implementing a reference based pricing strategy? How would using a referenced based pricing strategy differ from earlier efforts that based costs on the Fair Health Index?

Appropriate legal and contractual action would need to be identified for any strategies that require changes to existing contracts. Section 1.1.3 of the Claims Administration bid solicitation provides the State the right to “separately procure individual requirements that are the subject of the Blanket P.O. during the Blanket P.O. term, when deemed by the Director of the Division of Purchase and Property (Director) to be in the State’s best interest”.

Out-of-network reimbursements for most plan offerings, including the NJ DIRECT10 and NJ DIRECT15 plans, which have the highest volume of enrollment, allow reimbursements based on a nationwide average for procedures as identified by Fair Health.

Reference Based Pricing (RBP) allows an employer/plan to establish a maximum reimbursement amount for certain procedures and educates members to access care within the identified reimbursement ceiling. Reimbursements could require the use of providers that meet sustained quality performance in a particular area of medicine such as lower re-admission rates.

14. A Point Solution resolution from the State Health Benefit Plan Design Committee’s September 14, 2022 meeting, if passed would have directed the Division of Pensions & Benefits to examine and evaluate “all existing SHBP point solution, wellness, navigation, medical review and advocacy programs…. as to their value including their impact on member health, cost, validated savings and return on investment.” The resolution also would have “required ‘non-performing programs’ to be discontinued, that all State Health Benefit Program administrative service organizations, consultants, carriers, etc. .... disclose financial relationships with ‘point solution’ providers, that all point solution programs be evaluated by the criteria developed by the Validation Institute or [another] widely respected and un-conflicted experts in the field of evaluation of healthcare programs, and that the SHBP enter into a working partnership with the Validation Institute to rigorously determine the value of current and future point solutions."

• Question: Which point solution services have proven to be value-added services and which have proven to be not cost effective? Given the health benefit savings
Discussion Points (Cont'd)

anticipated in prior years’ budgets, what magnitude of savings were expected to be achieved through point solutions? Have point solutions been given sufficient time to produce anticipated savings? In retrospect, what were the advantages and disadvantages of the implementation of point solutions?

Analysis of existing point solutions to determine the efficacy of each program is ongoing. To date there has been one point solution that was terminated due to low participation, and duplicative services to other point solutions.

- **Question:** Please explain why the Committee chose the Validation Institute as a future partner for point solution evaluation, the number of other expert evaluators the Committee considered, and any potential cost to the State for contracting with the Validation Institute to evaluate point solution programs.

The SHBP Plan Design Committee did not choose the Validation Institute. The resolution requiring a contractual engagement with the Validation Institute did not receive a majority vote. The Committee does not have the statutory authority to select a vendor. Costs for third-party evaluation services of point solutions would have to be identified through a competitive bidding process.

15. The Responders Primary Care Medical Home Pilot resolution from the SHBP PDC's September 14, 2022 meeting, if passed would have clarified the employee titles eligible for the Responders Primary Care Medical Home Pilot Program.

- **Question:** Please discuss the impact of this clarification on the number of individuals eligible for the pilot program and the potential changes in cost that would result from this clarification.

Increasing the scope of eligible members in this pilot program would expand the number of individuals that receive care without any required cost share, shifting costs to all State and local employers participating in the SHBP.

- **Question:** Please describe the Responders Primary Care Medical Home Pilot Program. Please present any findings from the program and the date at which the program is due to expire or require an extension, if any.

Please see the attached Resolution 2-2019 that was approved by the SHBP PDC on April 16, 2019. On March 24, 2021, the SHBP PDC extended the First Responders Primary Care Medical Home Pilot Program for a period of five years from the date of the resolution (SHBP PDC Resolution 2021-1).

Below is the 2022 year-end utilization and member counts for the First Responders Primary Care Home Medical Pilot program.

Membership Count: 272
Total Claims Count: 1,021
Prior Authorization--Step Therapy

16. The legislature recently introduced legislation that would limit the requirement that doctors go through the Step Therapy protocols outlined by insurers to provide care to patients in need of specialty drugs/therapies. According to the Centers for Medicare and Medicaid Services, Step Therapy is a type of prior authorization for drugs that begins medication for a medical condition with the most preferred drug therapy and progresses to other therapies only if necessary. The objective of Step Therapy along with care coordination and drug adherence programs is to lower cost and improve health outcomes.

**Question:** Is step therapy a component of a medical pharmacy program? Is Step Therapy more effective as part of a medical pharmacy program or on a stand-alone basis? Please discuss in the context of the benefits provided to the State Health Benefits Program and the impact on member care? How have step therapy requirements impacted State Health Benefit Program and School Employees' Health Benefit Program costs?

Step Therapy can be incorporated through the pharmacy and medical benefit programs. A Step Therapy program would use a clinical policy and where appropriate, include provisions which could ask for one or more clinically-equivalent medications to be used before the requested therapy is approved. The program can be provider administered, billed through the medical program, or patient administered, billed through the prescription drug program, and when integrated, can be coordinated to provide care at the most cost-effective setting.

From a member perspective, step therapy ensures the member is receiving treatment in an order that most aligns with current clinical practice guidelines. In most instances, these medications are lower cost generics, which will put the medications on a tier that ensures affordability to the members. Studies have shown when cost is not a barrier, adherence increases. Driving adherence to therapy will produce more effective response to therapy. From the perspective of the plan, step therapy ensures members are utilizing the most cost effective therapies available for their condition before jumping to higher cost alternatives. It also prevents the use of higher cost brand products for off-label use. This strategy can be very effective in mitigating trend and plan spend.

Step therapy savings for chemotherapy medications administered through the medical benefit program for actives and pre-65 retirees reduced costs in Plan Year 2022 by $10 million. Program savings for step therapy through the pharmacy benefit program reduced costs by $19.75 million.

Increase of $30 to Copayment for Urgent Care Visits

17. According to data presented by Aon during the State Health Benefits Program Plan Design Committee August 11, 2022 meeting, urgent care visits increased by 44% over the 2020 to 2021 time period, which coincided with the COVID-19 pandemic. On September 14, 2022, the Governor signed an agreement with certain unions representing State employees, agreeing to pay for 97 percent of the anticipated FY 2023 increase in contributions for State
Discussion Points (Cont'd)

employees, in exchange for increasing the copay for urgent care visits by $30 beyond the copay for primary care visits effective January 1, 2023. According to Aon, the increase in urgent care visits contributed to the increase in the premiums in Plan Year 2023.

- **Question:** What makes urgent care so expensive? Is urgent care less expensive and more effective than emergency room visits? How do virtual point solutions like Everside Health affect member utilization of urgent care facilities and State health benefit costs?

Urgent care, on average, costs less than an emergency visit but urgent care visits costs, on average, 60% more than a visit to primary care provider. Urgent care can be effective for non-urgent and some urgent visits that require care at an outpatient center. Emergency room visits are more appropriate when a member needs stabilization and inpatient admission. On average, ER visits are as much as eight times the cost of urgent care visits.

Everside Health and Sanitas Medical Center are Direct Primary Care medical homes (DPCMH) for eligible State members, not virtual point solutions. These two DPCMH contractors together offer 14 sites of care (13 in New Jersey and one in Pennsylvania). Because patient panels are limited to 1,000 patients per physician, visits are often available the same day or the next day. Members may have in-person, telephonic, or telehealth appointments and contractors allow members to access electronic copies of their medical records. Contracted facilities have the ability to dispense a seven-day supply of certain generic medications for urgent visits, and can provide lab services onsite, that are covered as in-network services. There are no requirements for DPCMH-enrolled members to use DPCMH facilities over urgent care or other provider services.

PENSIONS

18. For nearly two decades, the State struggled to make the necessary graduated payments to reduce its unfunded pension liability. In FY 2022, the State reversed this trend and made its first 100 percent pension fund payment one year ahead of schedule and its second 100 percent payment in FY 2023. The FY 2024 Governor’s Budget recommends making a third 100 percent payment in the budget year.

- **Question:** If the State continues to make its full payment to the pension funds, what factor or factors will have the greatest impact on the change in the unfunded liability and the funded ratio?

- **Question:** If the State continues to make its full contribution, how soon will the funded ratio of each system reach the 80 percent target rate?

Making the full actuarially determined contribution to the pension funds is the single most important factor affecting the unfunded liability and the funded ratios of all of the funds. Another important factor is investment gains and losses.
Discussion Points (Cont’d)

If the State continues to make its full pension contribution and other assumptions are achieved, each fund is projected to reach the 80% target ratio by the dates indicated in the table below.

<table>
<thead>
<tr>
<th>Statutory Funded Ratios</th>
<th>Used for Determining Attainment of Target Funded Ratio (TFR) Per System</th>
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<tr>
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<td>FY 2024 Funded Ratio</td>
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<tr>
<td>State</td>
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<td>67.9%</td>
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<tr>
<td>PFRS</td>
<td>71.3%</td>
</tr>
</tbody>
</table>

* The Target Funded Ratio does not apply to the PFRS systems per P.L.2018, Chapter 55. “Trustees of the PFRS may adjust the monthly retirement allowance or pension of its retired members in accordance with subsection b. of section 13 of P.L. 1944. C.255”.

19. P.L.2021, c.52 provides a retirement allowance for members of the Police and Firemen's Retirement System after 20 year of service regardless of age who retire prior to May 1, 2023. The retirement allowance under the law is equal to 50 percent of the member's final compensation. Prior to the law change and after the May 1, 2023, a member must be 55 years of age or older to retire on a service retirement allowance of final compensation upon attaining 20 years or more of service credit.

- **Question:** What number and percentage of eligible police officers and firemen retired under P.L.2021, c.52? By what amount did these retirements increase the unfunded actuarial accrued liability of the State and local parts of the Police and Firemen's Retirement System? By what amount did the retirements increase the State and local employer contributions to the retirement system? Did this effect the police and firemen fringe benefit rates? What effect did these retirements have on post-retirement medical benefits budgeted in the Interdepartmental Accounts budget and in the Police and Firemen's post-retirement medical accounts budgeted in the Department of Treasury?

All answers below were provided by the Police and Firemen’s Retirement System (PFRS) Executive Director.

Based on the limited information available to date, it is estimated that 70 members will retire under P.L.2021, c.52 for the State portion of the Plan, and 230 members for the Local portion. This represents approximately 4% of those eligible to retire under P.L. 2021, c.52 for the State portion of the Plan, and 3% for the Local portion of the Plan.
The unfunded liability increased by about $5,248,000 for the State portion of the plan and by $18,634,000 for the Local portion. The Actuarially Determined Contribution decreased by $132,000 for the State portion of the Plan and decreased by $644,000 for the Local portion.

Given the size of the population, the impact of P.L.2021, c.52 on both the fringe rate and PRM costs are expected to be immaterial.

**PROHIBITED INVESTMENT OF PENSION ASSETS**

20. P.L.2022, c.3 prohibits the Division of Investment from investing any pension or annuity fund under its supervision in assets controlled by individuals or entities with direct equity ties to or business operations with the Governments of Russia or Belarus or whose company headquarters are located in Russia or Belarus. According to the law, the Division of Investment is required to divest from any such assets within one year of their identification, or as soon as possible, should that action conflict with the Division's fiduciary duties or the prudent person standard. Under the law, “no assets of any pension or annuity fund” shall be directly invested in a company controlled by individuals who have been identified by the Office of Foreign Asset control in the United States Department of the Treasury as fitting the criteria above.

**Question:** Please discuss the Division’s plans to divest from assets prohibited by P.L.2022, c.3? What is the Division’s progress to date? Has the Division incurred losses or realized gains in the divestiture of these assets?

Consistent with the requirements of P.L. 2022, c. 3, the Division has purchased no Russian securities and has sold approximately $12.5 million of Russian securities since February 23, 2022 (the day before Russia’s invasion of Ukraine). The Division has been unable to sell the remainder of its Russian securities due to (1) government restrictions on trading by U.S. investors in the Russian securities market and (2) the suspension of trading in Russian securities by the relevant securities exchanges. Despite the obstacles it faces in selling the Russian securities it still holds, the Division continues to seek to eliminate its risk exposure in the Russian market to the extent that opportunities arise in the future. Given the inability over the last twelve months to transact in the Russian markets, the fair market of the remaining securities has been marked to $0. The sales price for the Russian securities was generally below cost.

**Question:** Please discuss whether debt instruments are included in the definition of “assets” and if not, please discuss the economic and regulatory risks posed to pension or annuity funds under the Division of Investment’s jurisdiction from debt instruments issued or controlled by persons with direct ties to or business operations with the Governments of Russia or Belarus or whose company headquarters are located in Russia or Belarus. Please discuss the Division’s plans regarding investments in such State debt or corporate notes.
Discussion Points (Cont’d)

The Division considers debt instruments as “assets” subject to the requirements of P.L. 2022, c. 3. The Division does not own any Russian debt instruments (sovereign or corporate) and does not intend to purchase any.

**Question:** Please discuss the Division’s protocol for complying with requirements issued by the Office of Foreign Asset Control in the United States Department of the Treasury.

The Division engaged an independent research firm to provide a database of sanctioned entities designated under the United States Department of the Treasury, Office of Foreign Asset Control (“OFAC”), Russia-related sanction programs. The database is updated monthly. The Division has programmed a restriction within its trading system to prevent the purchase of securities issued by entities on the list.

21. Following the U.S. economy’s exit from COVID-19 related lockdowns, the continuing global supply chain issues, pent-up consumer demand, strong job creation in the U.S. labor market, and the Russian invasion of Ukraine, the Consumer Price Index, which tracks the average change in the cost of goods for urban consumers, reached a 40-year high in June 2022. Despite the Federal Reserve Board’s efforts to control accelerating costs through rate hikes, inflation remains.

**Question:** Please discuss how inflation and the potential for an economic slowdown influences the Division’s investment strategy in the short-term. What is the Division’s economic outlook for the next six-month, one-year, and three-year periods?

Inflation and the economic slowdown that will most likely come as a result of the significant tightening by the Federal Reserve are the near-term risks to investment returns. The Division’s asset allocation, as determined by the State Investment Council, currently targets 59% towards Global Growth assets. Global Growth assets are predominately equities (public and private), and equities will be hit the hardest if the United States suffers through a recession. Given these near-term risks, the Division has increased cash on hand from the target level of 4% to approximately 9% as of May 1, 2023. The increased cash position is benefitting from the higher rate environment as the overnight rate nears 5%. This increased cash position also allows the Division to take advantage of any opportunities that may result from the anticipated economic slowdown required to bring inflation down to an acceptable level for the Federal Reserve.

The Division does not make economic forecasts, especially short-term forecasts. With that being said, the Division does anticipate that economic growth will slow over the next 12 to 18 months as tightening financial conditions start to make their way into the real economy. Signs of this tightening is already being felt in the financial sector as 4 US banks have failed in 2023 and concerns over commercial real estate continue to make headlines. As tightening conditions become pervasive, one should expect credit spreads to widen and equity multiples to decline. If, on the other hand, inflation declines as a result of this economic slowdown, Treasury rates should decline as well. If inflation continues to stay sticky and not decline to the Federal Reserve’s desired target, then Treasury rates may stay higher for
Discussion Points (Cont'd)

longer, causing a deeper economic slump in the near term or stagflation in the medium term.

OTHER INDEPARTMENTAL ACCOUNTS
PERMIT MODERNIZATION

22. The FY 2024 Governor’s Budget recommends a decrease of $1 million in funding for Permit Modernization. This funding stands as part of an initiative to modernize the State's permitting process that has been ongoing for several years and has appropriated and expended $17.5 million and approximately $3 million, respectively since FY 2021. If the $4 million recommended in the FY 2024 Governor’s Budget is appropriated, total original appropriations for Permit Modernization will total $21.5 million since FY 21.

The permit modernization initiative was intended to “provide a consistent, unified experience for a business in their interactions with the State and support the inclusive growth of businesses across the State.” The goal of the program is to guide businesses through required processes, provide notification proactively, and share information internally to minimize the number of steps that a business must take to remain open and in compliance with requirements. The State also seeks to improve transparency, speed, and accuracy of business processes in an effort to allow businesses to open more quickly and meet State requirements with less effort.

The permit modernization initiative included the development of:

- a public-facing authenticated website to enable business owners to start and manage their business filings with the State in one place and take action to support the launch, operation, and growth of their businesses;

- a data-sharing platform that connects information across the State agencies and departments, such as the Department of the treasury and the Department of Community Affairs to improve the business registration experience and permit submission process;

- data analytics and process improvements that will allow the State to measure and improve the speed and quality of delivering services to the public.

**Question:** Please discuss the initiative’s progress to date, the services provided to date by the State’s consultant, how much longer the Administration anticipates that the project will last, and how much more the Administration anticipates that the project will cost. Once completed will the State incur any ongoing cost to maintain or upgrade the system over time? Please provide the components of change in relation to the recommended reduction of $1 million from prior year funding.

Under the Office of Innovation’s leadership, and in collaboration with New Jersey’s Business Action Center, Economic Development Authority, and Department of Treasury, the permit modernization initiative has resulted in the creation of:
Discussion Points (Cont’d)

1. Business.NJ.gov - a one-stop website with cross-agency guidance and resources to help New Jersey entrepreneurs start, maintain, and grow a business. On the website, a business can search explanatory articles, browse daily regulatory and legislative news, and sign up for a weekly newsletter for NJ’s business community. The continuously-updated website, which was developed in collaboration with NJ business owners, has served businesses more than 5 million times.

2. Business.NJ.gov Live Chat - live, interagency assistance provided via digital chat by experts from 4 agencies (NJBAC, NJDOL, NJEDA, and Treasury). The live chat has facilitated more than 110,000 live chat sessions.

3. Business.NJ.gov Navigator - an interactive personalized guide that provides customized roadmaps for businesses, allows owners to complete a growing number of transactions with the State in a centralized location, and facilitates interagency data-sharing to simplify form-filling and complying with the requirements of multiple agencies. The Navigator has helped more than 170,000 businesses, and it has facilitated the formation of more than 11,000 new businesses in the last year.

With ongoing changes in policy, regulation, and filing requirements by the State, we continue to upgrade and update these resources on an ongoing basis.

• Question: Why has only $2.9 million been expended to date? What is delaying the progress of the permit modernization effort? To what extent has the implementation of the website, data sharing platform, and data analytics, and process improvements reduced the administrative costs of the permit program? Will any budgetary savings by realized?

In order to ensure that we are building the services that businesses need and want, the Office of Innovation and our partner agencies adopt a human-centered approach, whereby we conduct extensive user research prior to developing new technology and processes and then build incrementally. Thus, while the initial initiative spend rate was lower, we are now accelerating development using carryover funds and the proposed FY24 appropriation. Funding will be used to advance the following activities:

1. Increase design and engineering capacity to accelerate development of the Business.NJ.gov Navigator to digitize and include on Business.NJ.gov dozens of new filings across numerous agencies and jurisdictions to truly make this site “one-stop shopping” for business organizations in the state.

2. Provide agencies with funds to modernize and digitize their respective filing systems and meet integration requirements.

3. Promote broader public awareness and uptake of these new tools and technologies.

HEALTH CARE AFFORDABILITY FUND

23. The FY 24 Governor's Budget recommends a $600 million FY 2023 supplemental appropriation to establish a Health Care Affordability and Accessibility Fund and a $100 million appropriation in FY 2024 in accordance with P.L.2020, c.145, which provides for the reorganization of a health service corporation and requires these payments. Budget
Discussion Points (Cont'd)

language subjects the use of the funds to the following conditions: (1) the funds are required to be used to enhance the availability of affordable and accessible health insurance and the provision of health care to underserved individuals in communities statewide, and (2) to promote the integration of the overall health care delivery system in the State to meet the needs of New Jersey residents. The determination of the eligible programs, projects, and uses of these funds are required to be made by the Director of the Division of Budget and Accounting in consultation with the various State departments, subject to approval by the Joint Budget Oversight Committee.

• Question: What does “enhance the availability of affordable and accessible health insurance and the provision of health care to underserved individuals in communities statewide, and promote the integration of the overall health care delivery system in the State to meet the needs of New Jersey residents” mean? Are these funds intended to provide direct support to underserved individuals or are these funds intended to create a State–supported entitlement program for health care services, or are these funds intended to integrate with federal programs? How will the program be funded once the 17-year, $650 million in business tax payments, as required by the law are depleted? What is the estimated annual cost of the fund for program operations, etc.?

The specific project(s) to advance access to health care would be determined only after enactment of the proposed budget language, and after the process of consultation among State agencies described in the proposed budget language. The Administration then anticipates engaging with the Legislature, through JBOC, to determine the best use of this time-limited revenue stream. As such, long-term cost projections are not possible.

PUBLIC BANK SOCIAL IMPACT INVESTMENT FUND

24. The FY 2024 Governor’s Budget, recommends $20 million in funding to create a Public Bank Social Impact Investment Fund. Executive Order 91 (Murphy, 2019) created an advisory Board to plan and develop a public bank for New Jersey and submit an implementation plan by November 13, 2020. The objectives of the Board included assessing the capital needs of small businesses, students, and local infrastructure and affordable housing projects; understanding how the State can reduce communities and residents’ unmet capital needs especially with regard to low-income and minority populations; enhancing the coordination of State entities; identifying ways to strengthen local financial institutions; and developing a business plan. According to the FY 2024 Budget in Brief, the fund “would create a flexible and innovative mechanism to deliver below market-rate loans, guarantees, or similar financial tools to advance socially beneficial projects and programs. The fund will initially focus on expanding the State’s ability to address water infrastructure needs in vulnerable communities and support affordable housing development.”

• Question: How was the $20 million investment determined? Is this solely initial funding for a public bank for which additional appropriations will be required in the
future? What is the estimate for the total seed funding for the bank? What is the estimate of the value of the infrastructure projects that the bank expects to leverage and what is the estimated amount that will be necessary to appropriate in order to leverage these public work needs? In addition to water infrastructure needs, what are the other categories identified for public bank funding?

The proposed Social Impact Investment Fund (SIIF) is inspired by the work of the Public Bank Implementation Board. The goal of the SIIF will be to pilot innovative financing approaches to advance policy goals that are currently not being addressed by public or private sectors alone, and to blend State funds with private investments to scale the impact. The SIIF will use loans, guarantees, or other financial tools in to advance two policy priorities of the Governor: affordable housing and municipal infrastructure. Specifically, the SIIF will provide pre-development lending opportunities to build capacity among early-stage affordable housing developers, and increase access to Infrastructure Bank funding for low-credit municipalities.

The $20 million appropriation is intended to be enough to draw in private capital in at least a 1-to-1 ratio and to make a measurable impact in the target areas. Moreover, the water infrastructure projects will use the SIIF funds to de-risk much larger transactions with distressed municipalities, using IIJA funds and allied investments to leverage SIIF funds over 4-to-1. As the SIIF builds its track record and shows an impact, the State could provide additional funding and expand its scope of permissible uses in the future.
New Jersey Department of the Treasury
Executive Branch
Office Space Review and Recommendations

Submitted by:
NJ Division of Property Management & Construction
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PURPOSE

The FY22 budget requires the New Jersey Department of the Treasury to undertake a study of office space leased and owned by the Executive Branch based on the following language:

“Notwithstanding the provisions of any law or regulation to the contrary, from the amount hereinabove appropriated for Property Management and Construction - Property Management Services, the State Treasurer shall conduct a review of all office space owned and leased by the Executive Branch of the State government and submit recommendations for the maximization of the efficient utilization and management of such office space following the transformative effects of the COVID-19 pandemic on traditional notions of workplaces, including an estimate of associated cost impacts, to the Joint Budget Oversight Committee.”

THE IMPACT OF COVID-19 PANDEMIC ON THE WORKPLACE

The trend toward remote or hybrid work for private and public sector employers began prior to the onset of the COVID-19 pandemic. In fact, prior to the pandemic in early 2020, the Department of the Treasury was already reviewing the state’s office footprint for efficiencies and looking at ways to transform our 20th century workplaces to meet the needs of a 21st century workforce. What we didn’t know at the time was that the ensuing two years of managing and maintaining government operations in remote conditions would provide insight into what was possible in terms of workplace flexibility, what resources were necessary to maintain or enhance productivity and ensure employee well-being, and what benefits could be achieved by including remote work on a permanent basis.

It is clear that New Jersey, as well as governments at all levels across the country, are reimagining their workspaces and reevaluating asset portfolios based on their experiences during the pandemic. The central finding of a study conducted by Jones Lang LaSalle IP, Inc. (“JLL”), in partnership with the National Association of State Chief Administrators (“NASCA”), was that work outside the office is effective for most employees, and as remote work becomes standard, a “transformational approach” to office design to accommodate collaboration and employee needs when on-site is required (https://www.us.jll.com/en/trends-and-insights/research/future-fitting-your-real-estate-portfolio, 2021). The expected result of private and public employers adopting new office space policies is a reduced real estate portfolio of fifteen percent, or more. Of the 23 states studied, 87% were rethinking their office portfolios, and one third of those making changes expected to reduce their space by up to 30%.
OVERVIEW – STATE OFFICE SPACE – OWNED AND LEASED

The Division of Property Management and Construction (“DPMC”) within the Department of the Treasury is responsible for the planning, programming, procurement and administration of State leases (within the framework of the State’s real estate portfolio) for office and warehouse space on behalf of State agencies. The Office of Space Planning, Lease Development and Compliance is tasked with employing the most economical use of leases and the Department of the Treasury owned/managed buildings, pursuant to state statute. N.J.S.A. 52:18A-191.1 et seq. and N.J.A.C. 17:11-1.1 et seq.

Currently, the division manages approximately 4,528,647 square feet of leased office space and 3,826,017 square feet of owned office space throughout the state. The Department of the Treasury has 270 leases throughout the State of New Jersey for various departments and State agencies. With the exception of leased properties in Mercer County, Newark, and Camden, and consolidation facilities elsewhere, the majority of leases are for spaces under 10,000 square feet. The Department of the Treasury manages 34 State-owned buildings primarily in Trenton and various locations throughout the State.
These statistics do not include office space managed by independent authorities or higher education facilities. They also do not include such other spaces associated with correctional facilities, laboratories, courthouses, warehouses, or psychiatric hospitals.

**DPMC Lease Procurement Process**

Pursuant to N.J.S.A. 52:18A-191.1 et seq. and N.J.A.C. 17:11-1.1 et seq., DPMC is responsible for the procurement and administration of leases for State employees, State facilities for the public (such as Motor Vehicles Commission and Labor Workforce Development facilities), and warehouse space.

All lease procurement initiatives begin with the development and filing of a Space Planning Request (“SPR”) by a client agency/department in the Executive Branch, N.J.S.A. 52:18A-191.5. The SPR contains detailed information including square footage requirements, special program needs, and number of employees/work stations. The SPR is subject to the review and approval of the Department of the Treasury’s Office of Management and Budget (“OMB”) and DPMC. The SPR also identifies the funding source for the payment of rent. Funding sources can be from either the central rent account, the agency via federal funding (e.g., Department of Labor), or self-funded revenue streams (e.g., Motor Vehicle Commission).

Once an SPR receives the required approvals, DPMC develops a Scope of Work which identifies in detail the components of the SPR. Before moving forward with a public procurement DPMC determines whether existing State-owned or leased space is available to satisfy the new space request. N.J.A.C. 17:11-4.3. If existing space is not available, the Scope of Work is incorporated into the solicitation documents used in the Request for Proposal (“RFP”). As described more fully below, DPMC utilizes an advertised competitive process for lease procurement, awarding leases to the most cost-effective proposals per N.J.S.A. 52:18A-191.5(f). There are certain limited exceptions from conducting an advertised competitive process, including those listed in N.J.A.C. 17:11-2.4, entitled “Negotiation of Leases in Special Circumstances.” These include: leases with other governmental entities, leases for specialized State facilities, short term leases of not more than two years, a co-terminus amendment to an existing lease for expansion, and leases for emergency relocation/emergent need/interim replacement facilities. DPMC may elect not to advertise for leased space proposals when the Director of DPMC determines that the space planning request involves such specialized, unique or mandated characteristics or requirements that a competitive process would be unlikely to result in a more cost effective proposed lease agreement.

A notable exception to the requirement of conducting a public procurement is commonly referred to as the “cost savings” exception. This exception allows DPMC to extend existing leases without public bidding if there is a cost savings in the current fiscal year and for the term of the extension.

DPMC advertises the threshold criteria, which include such factors as location (catchment area), square footage, parking and access to public transit. The advertisements are posted on DPMC’s
webpage and, if the requirement is more than 20,000 square feet, in newspapers with circulation in the same region as the catchment area. N.J.A.C. 17:11-5.1. DPMC also searches the internet, mails direct solicitations to landlords in its database, and canvasses the catchment area to see if there is space available. Most advertised proposals seek a ten-year term lease with two renewal options of five-years each; the State may exercise the renewals unilaterally.

Respondents to the initial advertisement or notifications are provided with a Property Profile Form (PPF) to complete and return by a designated time. PPFs that satisfy the threshold criteria are sent the RFP. N.J.A.C. 17:11-5.2 to 5.4. As mentioned previously, the RFP includes the Scope of Work, the Leased Space Proposal and a sample State Lease form along with other documents. N.J.A.C. 17:11-6.1. The bidder uses the Leased Space Proposal form to describe in detail the proposed space, how the space meets the State’s requirements and required pricing information.

Proposals responsive to the material elements in the Scope of Work, N.J.A.C. 17:11-6.9. DPMC may negotiate certain lease terms not mandated by statute, such as price, per N.J.A.C. 17:11.6.10. Ultimately, DPMC solicits “best and final” offers from the bidders and then issues a notice of proposed award letter to the bidder providing the most cost effective proposal which best serves the interests of the State, N.J.A.C. 17:11.6.10, 6.11. Written challenges to DPMC’s decision are addressed per N.J.A.C. 17:11-8.1, resulting in an Agency Final Decision that may be appealed to the Appellate Division of the Superior Court.

Prior to lease execution, DPMC must present a Notice of Proposed Lease (“NPL”) for each proposed lease to the State Leasing and Space Utilization Committee (“SLSUC”) for approval. N.J.S.A. 52:18A-191.5 and N.J.A.C. 17:11.6.10. The SLSUC is a joint legislative committee comprised of a State Senator, an Assembly representative, and a representative of the Department of the Treasury, N.J.S.A. 52:18A-191.4. The SLSUC must comply with the requirements of the Open Public Meetings Act and its meetings are scheduled by the Office of Legislative Services. Recently, these meetings have been scheduled on average just two times a year. The infrequency of the meetings and limited agendas may increase the time required to complete the leasing process by several months.

Once a NPL is approved by the SLSUC, DPMC as the lessor may engage a licensed architect to prepare construction drawings and other plans. DPMC’s personnel review all the construction plans to ensure they address all governmental guidelines bearing on the fit-out of leased space for State agencies including, but not limited to, construction code permitting and Occupational and Safety requirements. Only after DPMC approves the construction documents will the parties execute the lease agreement. N.J.A.C. 17:11.7.4 and N.J.A.C. 17:11.9.1 et seq. Once the plans are approved, the construction is undertaken and completed by the lessor. Thereafter the premises are occupied by State employees.

Examples of recent leases and their timelines indicate an average of 18-24 months to complete the process.
OPTIMIZING OFFICE SPACE - MODERN SPACE PLANNING AND TELEWORK

There has been considerable research and modernization in the world of commercial office space. Most private companies, and many state and local governments, have spent years updating their office space to accommodate new ways of working to improve productivity and collaboration while achieving efficiencies and cost savings. Among the most common and successful concepts which could be adapted for state office space is the use of unassigned workspace through hoteling, hot-desk and flex space, or a combination of these; all of the following should be considered when reevaluating office space for footprint reduction.

- **Hoteling** -- The practice of using active and dynamic scheduling of offices or workspaces in lieu of permanent, full time and individually assigned space. Employees reserve desk or conference space in advance. This approach could apply to employees who spend a number of days out of the office at other locations (such as auditors, inspectors, or field workers) or teleworkers. When combined with teleworking, a significant number of work stations may be eliminated. However, a corresponding increase in private conference rooms, personal storage areas, or collaborative workspaces may be required. Hoteling across departments could provide the most efficiency, but may require new or upgraded technology. Attached are floor plans showing an existing layout of a State office building and how it could be transformed to include hoteling and unassigned workspace. (Attachment I, 2 pages).

- **Hot-desking** - Allows for employees to take whatever desk or workspace is available without permanent assignment or reservation. This is one of the more recent additions to flexible space and would most likely have limited application, or be best used in addition to standard or other space configurations.

- **Open Floor Concepts** – An open floor plan allows for the maximization of space, allows work groups to expand and contract easily, and reduces costs associated with backfilling. This concept also allows for more natural light and a better balanced HVAC system.

- **Variable Workspaces** – Each office offers a variety of office configurations to accommodate different work needs. These could include cubicles, small enclosed booths, cubby (or library-style) desks, as well as relaxed spaces. Overall, the final office layout should foster collaboration while also allowing for quiet spaces.

- **Paperless workspace and cloud-based storage** – Flexible work environments promote paperless workspace and the use of electronic or cloud-based document storage. State records management policy requires agencies to be certified to house electronic documents by the Division of Revenue and Enterprise Services (‘‘DORES’’) in the Department of the Treasury.

- **Technology** – Flexible space will require an evaluation of current and future office technology. (See the Role of Technology section, below.) Basic technology requirements for modern office space include: sufficient internet bandwidth required
to perform duties; increased communication and collaboration tools using multiple interfaces; desk and/or office reservation software; physical and electronic data protection.

- **Employee focused planning** - Any implementation of modern office space needs to be carefully planned and prioritize the needs, comfort, and safety of all state employees. Such spaces, if created and managed effectively, can improve the work environment, increase employee morale and job satisfaction, and bolster productivity.

The adoption of a hybrid or other remote work or telework policy by New Jersey would have a multiplier effect on the State’s ability to reduce office space.

Many private sector companies are adopting a fully remote work policy, while others are continuing with hybrid work schedules, including the use of telework.

The Federal Government reports its telework policy benefits all of the following: emergency preparedness, attracting and retaining employees, reducing commuting miles, and improving employee attitudes and performance. If coupled with an office hoteling concept, they assert telework will also reduce real estate costs and utility costs as well as reducing stress on our infrastructure.

Massachusetts has had a telework policy since 2000 and updated it in 2020. According to that state’s telework website, agencies are directed to consider transitioning positions and functions to achieve efficiencies and effectiveness in daily operations. According to the JLL report, the state has implemented a central hoteling practice and reducing assigned workspaces while increasing collaborative and individual space through a reservation software system.

As alternative workplace strategies are implemented by private and public sector employers, there may be both a diminished need for office space and an opportunity to re-think how to build out and use workspaces.

**PRACTICAL CONSIDERATIONS**

The office portfolio (including both owned and leased spaces) is typically easier to downsize than other specialized public facilities. However, consideration needs to be given to factors such as remaining lease terms, the timeframe and statutory restrictions of DPMC’s leasing process (please see in-depth review of this process in the preceding section), and the age and condition of State-owned office buildings.

The conversion of existing workspaces into flexible workspaces more conducive to space consolidation will require a thorough, department-by-department analysis. Such an analysis should consider the current core mission of each agency, on-site office square footage, geographic location(s), and technology requirements required to carry out each agency’s mission. Data collected during the analysis such as current occupancy/vacancy rates, policies and procedures
used to allocate and assign workstations or offices, and the need for areas for collaboration or privacy, will be critical factors in planning alternative workplace strategies, and in determining where and how to reduce the State’s office footprint.

Completing such studies and implementing recommended changes will require considerable resources. The most efficient methods to begin this process are to incorporate any re-imagining of office space as part of the fit-out for newly leased space, the renovation of an existing State-owned building, or the design of a new State-owned building. In most circumstances, when DPMC runs a public procurement for new office space, the initial term is for ten years with options to extend. The cadence of lease terminations and renewals will impact the sequence of space consolidation and reduction of leased space.

**LEASING TIMELINE CHALLENGES**

As described above, the process to lease space requires a considerable number of steps and analysis; from initial agency inquiry through notice of award takes an average of approximately 30 weeks. The length of the process has variables (size and catchment area) that can affect the time it may take to get completely through the process. This timeline does not include the time required to fit out office space and effectuate associated agency moves.

<table>
<thead>
<tr>
<th><strong>Space Planning Request</strong></th>
<th><strong>Advertisement</strong></th>
<th><strong>Request for Lease Proposal</strong></th>
<th><strong>Evaluation and Negotiation</strong></th>
<th><strong>Final Evaluation &amp; Award</strong></th>
<th><strong>Submission to State Leasing &amp; Space Utilization Committee</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Agency Submission of SPR (Space Planning Request)</td>
<td>• DPMC advertises the requirement for leased space.</td>
<td>• DPMC sends the request package to all prospective bidders identified during the advertisements and canvassing.</td>
<td>• DPMC reviews bid responses and conducts site visits.</td>
<td>• Letter of Intent issued.</td>
<td>• Proposal packages are presented to the Committee for their review &amp; approval.</td>
</tr>
<tr>
<td>• OMB Approval of SPR</td>
<td>• DPMC canvasses the catchment area to identify potential sites.</td>
<td>• DPMC meets with the proposers and agency to discuss questions identified during review and visits.</td>
<td>• DPMC meets with the proposers and agency to discuss questions identified during review and visits.</td>
<td>• Preparation of NPL “Notice of Proposed Lease”.</td>
<td>This timeframe is connected to the SLSUC meeting schedule</td>
</tr>
<tr>
<td>• Scope of Work Developed</td>
<td>3-4 weeks</td>
<td>6-9 weeks</td>
<td>8-12 weeks</td>
<td>2 weeks</td>
<td></td>
</tr>
</tbody>
</table>

**THE ROLE OF TECHNOLOGY**

It would be impossible to overstate the importance of the State’s ability to deftly leverage existing technology and allocate additional resources to agencies during the pandemic.
The Office of Information Technology ("OIT") is responsible for providing technology infrastructure and oversight to Executive Branch agencies, while the agency-specific business applications are supported and managed by the agencies themselves. The Department of the Treasury, which has its own technology division, DORES, supplies the Department of the Treasury with desktop and operations technology and applications. OIT and the Department of the Treasury have provided a review of the impact of COVID-19 on the workplace, lessons learned during the pandemic, and recommendations for the future. OIT’s section can speak to the technology deployed across departments and associated costs, and DORES’ describes how the Department of the Treasury managed and used technology to ensure continuity of services and operations during the pandemic.

**Office of Information and Technology (OIT)**

As detailed on their website ([https://nj.gov/it/about/overview/](https://nj.gov/it/about/overview/)), the office is the exclusive government provider of IT services for New Jersey’s Executive Branch. Its 500 employees specialize in hosting, network engineering, database administration, security operation and other technology disciplines.

According to Chief Technology Officer, Christopher J. Rein, several factors should be considered when assessing the cost of moving to a hybrid or remote office model:

- Remote access to the State’s computer networks and systems to perform remote work has been undergoing a substantial transformation over two to two and a half years; the technology platforms in place prior to 2018-2019 for Remote Access were used on a comparatively infrequent basis. However now, with greater security, data-protection, and scalability needs, these platforms for remote access are more expensive;
- There are varying procurement and funding models across agencies in the Executive Branch; costs estimates are a combination of actual and projected expenses; and
- The State’s e-mail system is nearly 100% cloud-hosted and a number of systems and applications are accessible from the myNJ Portal; therefore, not all employees within an agency require a Remote Access License.

The chart below shows the number of Virtual Private Network ("VPN") account requests received on a monthly basis from January 2020 to December 2021. The dramatic increase in VPN accounts demonstrate how quickly the State’s Executive Branch responded to the need for remote employee access.
Remote Access Costs to Support Hybrid Remote Work Program

Prior to March 2020, the Remote Access/VPN costs for the State were approximately $3.5M to $4M annually. Given the growth in Remote Access needs triggered by the 24-month pandemic response, the annual Remote Access costs have grown in the following ways:

- Cost Increases* for Remote Access Licenses: $5.5M - $6M
- Cost Increases* for additional State-Provided Laptop Computers: $11M - $12M

*(costs estimated, Executive Branch-wide projection)

It should be noted that the exercise to gather this cost data in the aggregate faces significant challenges because costs across the agencies are so varied. Specifically:

- Some of the costs are one-time purchases, whereas some are annual subscription licenses;
- Many agencies track their expenses differently, to align with either “general IT” or in some cases a specific program for NJ constituents;
- A number of agencies will be able to use existing toolsets to perform their work (e.g., cloud-based technology, or State myNJ portal-hosted systems which require no Remote Access Licenses; and
- As noted above, the current generation of remote access technology provides substantially greater data-loss protection, stronger authentication, and better encryption.

Department of the Treasury, Division of Revenue and Enterprise Services (“DORES”): Resiliency and Service Excellence through the Use of Digital Technologies

The mission of DORES is to provide accurate, efficient and responsive services to the business community, taxpayers, and State government in the following areas: cross-agency return/payment processing and centralized electronic imaging and storage; statewide revenue recording and not-
Despite the challenges posed by the pandemic, the Department of the Treasury established an automated service platform that enabled record numbers of new businesses to form seamlessly, in real time, without the need to file paper documents for manual processing (roughly 95% of business formations flow through the Department of the Treasury’s online channels). In the same way, through the use of digital technologies, the Department of the Treasury was able to process taxes and revenue deposits, including gross income, corporation, sales and use and partnership taxes, seamlessly during the pandemic. The adoption rates for these digital tax services are near or above 90%.

The Department of the Treasury’s experience during the pandemic proved the value of providing services through direct digital channels. Accordingly, looking forward, the Department of the Treasury will strive to move more of its remaining paper-based processes to digital formats using cloud-based, hosted and in-house development resources, and to enhance its existing electronic services. This will further reduce the work required to be performed by on-site staff.

**Illustrative Data Point, Record high Numbers of Business Formations 2020 -2021 with ~95% Filed Electronically**

![Business Continuity through the Use of a Remote Work Platform](image)

**Business Continuity through the Use of a Remote Work Platform**

The Department of the Treasury worked diligently with OIT, the Department of the Treasury divisions and several outside agencies to create a remote work platform enabling employees to work from home and thereby address the dual objectives of maintaining social distancing while
achieving responsive service levels for our citizens. The platform includes mobile devices, remote access software and cloud-based tools that allow employees to collaborate – both internally and with outside parties, via video conferencing, electronic data and records access, and content sharing. Through this effort, we more than tripled our remote work capacity in less than six months, and created the ability to conduct call center operations remotely.

The Department of the Treasury found that remote work adds an invaluable dimension to its productive capacities by both expanding the reach of the workplace and shielding its operations from the effects of disruptive events. For this reason, the Department of the Treasury will continue to work with OIT to enhance and modernize its remote work platform and move more processes and data to the cloud.

In building the Department of the Treasury’s remote work platform, the Division of Revenue and Enterprise Services reached several notable milestones:

- Established 2,079 new or upgraded remote connections through the combined use of Virtual Private Network (950), GoToMyPC (1,062) and Citrix (67) software licenses. (The Department of the Treasury intends to modernize this remote software complex by working with OIT to implement the most recent innovations in secure remote access using a platform offered by the firm ZScaler);
- Bolstered the operational continuity and responsiveness of the remote work platform by deploying 1,200 new laptops, docking stations and tablets.
- In partnership with the Divisions of Pensions and Benefits and Taxation, created the ability to establish remote customer telephone response units, thereby expanding the reach and resiliency of the Department of the Treasury’s vital customer service programs.
- To facilitate the adoption of remote work, developed and implemented an innovative training program in conjunction with OIT and Microsoft that offers on-demand and customized training on Cloud-based tools like TEAMS and Office 365. (OIT adopted the program as a statewide offering.)

The investment for creating the platform above was roughly $1.5 million – an amount well justified in light of the outcomes. That is, the investment allowed the Department of the Treasury to maintain its operations in the face of the unprecedented challenges posed by COVID-19, and also enabled it to build a strategic bridge to the emerging new models of the remote workplace.

**Leadership in Security and Records Management in the New Workplace**

In connection with the remote work platform described above, the Department of the Treasury strengthened the State’s cyber security posture, with eye toward managing and protecting government information and records generated and stored in remote work and Cloud-based settings. We worked diligently to comply with applicable provisions of New Jersey’s Statewide Information Security Manual. Further, in its role as the State’s records management authority, the Department of the Treasury published a series of security and management guidelines for use by
public agencies throughout New Jersey as they expanded their remote work and Cloud-based systems:

- Guidelines for Using Cloud-based Collaboration and Remote (Live) Conferencing Platforms
- Guidelines on Retention Scheduling Public Records Stored on Social Media Platforms
- Records Management Guidelines for Cloud-based Records Storage
- Records Management Guidelines for Remote Work Settings General Requirements for
- Protecting and Managing Sensitive Government Information
- File and Folder Naming Conventions

It is clear that remote and cloud-based work will continue to burgeon. In line with this, to help keep public records and information resources safe in this evolving environment, the Department of the Treasury will continue to develop and publish updated guidance on best practices for records management for cloud-based systems and remote work.

Technology Modernization

The events that transpired during the pandemic highlighted the Department of the Treasury’s reliance on automated technology and the need to ensure that its technical infrastructures remain viable and shielded from technical obsolescence. In this connection, the Department of the Treasury embarked on aggressive modernization efforts that resulted in key upgrades across the system platforms that it administers, including database upgrades for the State’s commercial registry, asset inventory and contract compliance programs. Also, the Department of the Treasury modernized the State’s tax and registry electronic records storage systems (electronic image systems) and upgraded its cyber security software substantially.

It is clear from planning exercises conducted by the Department of the Treasury that modernization is an ongoing, strategic consideration that requires continual attention and investment. In this regard, modernization initiatives continue across divisional lines, with a substantial new project for the State’s tax data system soon to be under way.

Potential Savings

It is highly speculative to develop ranges for reductions of office space or cost savings based upon the implementation of a teleworking and hoteling workspace office plan that has not yet been developed. Likewise, it is highly speculative to develop cost estimates when specifications have not yet been agreed upon, especially in the current inflationary environment. The most cost effective time and manner to implement new office layouts would be to make changes at the conclusion of a lease, so that the implementation costs could be rolled into future rents. Given the open nature of modern floor plans, these spaces will be less costly to construct than the more office-intensive standard of today.
While it is impossible to quantify what savings New Jersey could expect from a similar program, an example of savings achieved by including telework or hybrid work systems is the Federal Government’s program which began over a decade ago (Telework Enhancement Act of 2010). In 2020, the Federal Government reported a combined 26% of the savings it achieved from its telework policy were derived from reduced rents/office space (11%) and lower utilities (15%).

Another aspect of savings from telework is the savings to employees (in lower gas and personal vehicle or public transportation expenses), and other societal benefits, such as less pollution and wear on roads and infrastructure. Attached to this memorandum is information reported by California about savings achieved with its program. (Attachment II, 4 pages).

**PATH FORWARD AND RECOMMENDATIONS**

In order to provide the State greater flexibility in response to a restructuring of the state’s office portfolio, a review of DPMC’s statutory and regulatory framework should be completed, with a focus on recommendations for modernizing and streamlining the leasing process in order to incorporate the adoption of telework and modern office space policies. Such changes could include modifying the statute to require quarterly SLSUC meetings to be consistent with the State House Commission, the legislative real estate committee tasked with the review and disposition of State owned real estate, (see N.J.S.A. 52:20-4). Another way to streamline the process would be to change the legislation to waive SLSUC approval for leases under a certain square footage or monetary threshold. If the State embarks on a full space realignment, similar changes would be needed (even if only during a limited time frame) to execute such a plan in an efficient and cost-effective manner.

To best apply the collective experience and lessons learned during the COVID-19 pandemic to the State’s Executive Branch operations and office space portfolio, the State will need to engage an outside consultant to assist the Department of the Treasury with research, analysis and the development of a strategic plan. The Department of the Treasury has drafted a scope of work and requested funding in FY2023 to procure a consultant whose work would include:

- Review of DPMC prepared reports related to offices leased on behalf of the State by DPMC and State-owned office buildings managed by DPMC, including information regarding size, occupancy, costs and usage;
- Research on best industry practices and strategies being implemented in the public and private sectors to reduce office space footprint and maximize state resources; and
- Review and analysis of the core mission of Executive Branch departments and recommendation of strategies to align office space with respective operational and program needs.

###
ATTACHMENT I

Floor plans comparing an existing state office space to one renovated to use hoteling.
ATTACHMENT II
Dash Board from California showing participation rates and savings

Statewide telework dashboard

<table>
<thead>
<tr>
<th>Department name</th>
<th>Telework eligible staff</th>
<th>People teleworking</th>
<th>Telework rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>12,264</td>
<td>12,264</td>
<td>94.3%</td>
</tr>
<tr>
<td>15,737 (16 depts.)</td>
<td>8,897 (72.5%)</td>
<td>2,665 (21.7%)</td>
<td></td>
</tr>
<tr>
<td>12,264 (77.9%)</td>
<td>2,665 (21.7%)</td>
<td>702 (5.7%)</td>
<td></td>
</tr>
<tr>
<td>3,473 (22.1%)</td>
<td>702 (5.7%)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Telework rate and average gas price trend

Telework savings
- 33.4 miles
- 48.3 minutes
- $84 per week

Weekly savings estimates
- 1,740,000 miles
- 41,900 hours
- 1,750 days
- 71,200 gallons

Cumulative savings estimates
- 91,900,000 miles
- 3,689.9 times
- 192.3 times
- 2,240,000 hours

- $972,000
- $337,000
- 632 metric tons
- 33,466 metric tons

- $51,600,000
- $15,800,000
- 3,770,000 gallons
- 43,462 acres/year
New Jersey Department of the Treasury Office Space

Distribution of commute distance and time

One-way commute distance (miles)

Average miles

17.23 miles

One-way commute time (minutes)

Average minutes

24.95 mins

Department

All

Telework eligible

No

Yes

Telework status

No Telework
Partial Telework
Full Telework

Department status

<table>
<thead>
<tr>
<th>Dept</th>
<th>Staff (Telework rate)</th>
<th>Avg. miles</th>
<th>Avg. minutes</th>
</tr>
</thead>
<tbody>
<tr>
<td>ARB</td>
<td>1,059 (95.0%)</td>
<td>17.6</td>
<td>22.9</td>
</tr>
<tr>
<td>CaEPA</td>
<td>75 (79.9%)</td>
<td>19.4</td>
<td>24.4</td>
</tr>
<tr>
<td>CalRecycle</td>
<td>735 (91.0%)</td>
<td>15.7</td>
<td>27.9</td>
</tr>
<tr>
<td>CCCC</td>
<td>168 (100.0%)</td>
<td>16.7</td>
<td>20.6</td>
</tr>
<tr>
<td>CDT</td>
<td>995 (94.6%)</td>
<td>16.7</td>
<td>22.6</td>
</tr>
<tr>
<td>DFEH</td>
<td>245 (91.5%)</td>
<td>15.7</td>
<td>22.6</td>
</tr>
</tbody>
</table>

442 employees with zero (0) or more than 160 miles commute distance are not included in the average calculation. Therefore, average values were used.

Division of Property Management & Construction
About telework dashboard

Description:
This dashboard combines departments’ telework data.

Audience:
This dashboard and its data are intended to be available to the public.

Data sources:
Each department provides their own data, based on their individual internal telework tracking systems. Guidance on how to collect this data is available on the Reporting Requirements page. Cumulative savings estimates for each department go back to when they began participating (e.g., DGS since March 2020, RSCAI since October 2020).

Assumptions:
This dashboard represents a generalized estimation using available data with the following assumptions.

Commute calculation: All employees are assumed to commute to work daily in a vehicle with no other passengers. Commute savings are figured only on miles from the alternate work location to the office site and does not account for driving to errands, daycare, schools, or other facilities en route or during the workday. No precise data is available for employees’ use of public transportation or carpool, so these commute methods are not currently factored in. We consider it reasonable to assume that actual savings on both dollars and CO2 are probably slightly less than shown, due to this uncertainty. Holidays and vacation days are excluded from calculations. Actual telework days may differ from the reported counts due to various individual circumstances. In limited cases where the commute distance could not be calculated, the average commute distance of all other employees is used. Data for employees within 0 miles or commuting over 100 miles one-way were excluded in the average calculation.

Energy Savings Calculation: Historic average gas prices in California come from the U.S. Energy Information Administration’s Weekly Retail Gasoline and Diesel Prices report. Mid-grade gasoline prices are used for calculations. The average fuel economy for gasoline passenger vehicles is 24.4 mpg, per the California Energy Commission’s analysis of the Department of Motor Vehicles’ registration data for personal gasoline vehicles, as of the end of 2019. IRS mileage rate is taken from the IRS standard mileage reimbursement.

CO2 Avoided Calculation: The common conversion factor of 8.887 grams of CO2 emissions per gallon of gasoline was used. Conversion factor for carbon sequestered is 0.77 metric ton CO2/acre/yard sequestered annually by one acre of average U.S. forest (from the Environmental Protection Agency’s Greenhouse Gas Equivalencies Calculator References).
### Dashboard data dictionary

**Department Name** - Defaults to "All" participating departments. Users can select the drop-down menu to specify individual departments.
- **All staff** - The number of staff employed at participating departments (does not include consultants, students or retired annuitants) when the dashboard data was processed.
- **Eligible for telework** - The number of employees in telework eligible positions out of the total number of employees (all staff).
- **Ineligible for telework** - The number of employees in telework ineligible positions out of the total number of employees (all staff).

**Telework eligible staff** - The number of employees in telework eligible positions.
- Teleworking fulltime - The number of staff teleworking five eight-hour shifts per week out of the total number of telework eligible staff.
- Teleworking partially - The number of staff teleworking less than five eight-hour shifts per week out of the total number of telework eligible staff.
- Not teleworking - The number of staff not teleworking out of the total number of telework eligible staff.

**People teleworking** - The percentage of total teleworking staff for the week = (teleworking fulltime + teleworking partially) / telework eligible staff.

**Telework rate** - The percentage of total teleworking days out of the total workdays of telework eligible staff for the week.

**Telework rate and average gas price trend** - The blue bars indicate the weekly telework rates. The yellow line indicates California’s weekly average price of mid-grade gasoline.

**CO2 avoided** - Total tons of CO2 avoided = (gas saved) x (3.667 x 10^16 metric tons CO2).

**Gas saved** - Total gas saved = (commutes saved in miles) / 34.4 mpg.

**Vehicle expenses: total** - Total vehicle expenses saved including gas, oil changes, tires, breaks, etc. = (commutes saved) x 10.575.

**Vehicle expenses: gas** - Total number of dollars saved on gas.

**Teleworker savings** - Average savings per teleworking employee for various metrics.
- **Daily driving distance** - The average value of individual teleworker’s daily driving distances.
- **Daily driving time** - The average value of individual teleworker’s daily driving time.

**Weekly savings estimates** - Total weekly savings of all teleworkers for various metrics within the week reported.
- **Commutes saved** - Total driving distance saved per week = (number of teleworked days) x (one-way driving distance) x 2.
- **Time saved in hours** - Total hours of driving saved per week = (number of teleworked days) x (one-way driving time) x 2.
- **Time saved in days** - Total days of driving time saved per week = (time saved in hours) / 24 (rounded to the nearest day).

**Cumulative savings estimates** - Total savings since tracking began.
- **Commutes saved** - Cumulative total number of miles saved.
- **Around the Earth** - The equivalent number of trips around the Earth using the cumulative saved commute miles = (commutes saved in miles) / 24,901 miles.
- **Round trips to the Moon** - The equivalent number of trips to the Moon and back using the cumulative saved commute miles = (commutes saved in miles) / 238,900 miles (distance to Moon) x 2.
- **Time saved** - Cumulative total number of hours or days saved.
- **Gas dollars saved** - Cumulative total number of dollars saved on gas.
- **Carbon absorbed by US forest** - Cumulative total acres per year of U.S. forest needed to absorb the amount of carbon avoided = (CO2 avoided) / (0.77 metric tons CO2/acre/year sequestered annually).
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<tr>
<th>LEASE #</th>
<th>COUNTY</th>
<th>ADDRESS</th>
<th>QTY</th>
<th>DEPARTMENT</th>
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Space Utilization Report for Leases Expiring in FY24
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## Space Utilization Report for Leases Expiring in FY24

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AGREEMENT AND LEASE

(OFFSHORE WIND PORT PROJECT)

BETWEEN

NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY,
   as Lessor

and

THE TREASURER OF THE STATE OF NEW JERSEY,
ON BEHALF OF THE STATE OF NEW JERSEY,
   as Lessee

Dated as of January 1, 2023
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EXHIBIT A – Legal Description of Leased Premises
EXHIBIT B – Narrative Description of Project
THIS AGREEMENT AND LEASE (this “Agreement” or “Lease”) entered into as of the 1st day of January, 2023, by the NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY (the “Authority”), a public body corporate and politic organized and subsisting under the Act hereinafter mentioned, as Lessor (the “Lessor”), and the TREASURER OF THE STATE OF NEW JERSEY, on behalf of the STATE OF NEW JERSEY (the “State”), as Lessee (the “Lessee”).

BACKGROUND

Capitalized terms used and not otherwise defined in this Background shall have the meanings given such terms in Section 1.1 hereof or in the Trust Indenture (as hereinafter defined).

A. The Authority is a public body corporate and politic and an instrumentality of the State exercising public and essential governmental functions, organized, subsisting under and having the powers conferred by the Act, including, inter alia, the power to issue its obligations and the entering into contracts, including leases and development agreements, for: (1)(a) the acquisition, construction, reconstruction, repair, alteration, improvement and extension of any building, structure, facility, including water transmission facilities or other improvement, whether or not in existence or under construction, (b) purchase and installation of equipment and machinery, and (c) acquisition and improvement of real estate and the extension or provision of utilities, access roads and other appurtenant facilities; all of which are to be used or occupied by any person in any enterprise promoting employment, either for the manufacturing, processing or assembly of materials or products, or for research or office purposes, including, but not limited to, medical and other professional facilities, or for industrial, recreational, hotel or motel facilities, public utility and warehousing, or for commercial and service purposes, including, but not limited to, retail outlets, retail shopping centers, restaurant and retail food outlets, and any and all other employment promoting enterprises, including, but not limited to, motion picture and television studios and facilities and commercial fishing facilities, commercial facilities for recreational fishermen, fishing vessels, aquaculture facilities and marketing facilities for fish and fish products, and (d) acquisition of an equity interest in, including capital stock of, any corporation; or any combination of the above, which the authority determines will: (i) tend to maintain or provide gainful employment opportunities within and for the people of the State, or (ii) aid, assist and encourage the economic development or redevelopment of any political subdivision of the State, or (iii) maintain or increase the tax base of the State or of any political subdivision of the State, or (iv) maintain or diversify and expand employment promoting enterprises within the State; (2) the cost of acquisition, construction, reconstruction, repair, alteration, improvement and extension of an energy saving improvement or pollution control project which the authority determines will tend to reduce the consumption in a building devoted to industrial or commercial purposes, or in an office building, of nonrenewable sources of energy or to reduce, abate or prevent environmental pollution within the State; and (3) [the establishment, acquisition, construction, rehabilitation, improvement, and ownership of port facilities as defined in section 3 of P.L.1997, c.150 (C.34:1B-146)].
B. Executive Order No. 8 (Murphy 2018) committed the State to immediately pursue an initial 1,100 megawatts of offshore wind power and a total of 3,500 megawatts of offshore wind power by 2030, Executive Order No. 92 (Murphy 2019), increased this power generation target to 7,500 megawatts by 2035, and Executive Order No. 307 (Murphy 2022) increased this power generation target to 11,000 megawatts by 2040.

C. On behalf of the State, the Authority is leading the development of the New Jersey Wind Port, constituting a new purpose-built offshore wind marshalling and manufacturing port at Lower Alloways Creek, Salem County, New Jersey (the “Project”); a first-of-its kind asset in the United States and centerpiece of the State’s broader offshore wind development agenda.

D. Pursuant to a Ground Lease Agreement, dated September 14, 2021 (the “Ground Lease”), among PSEG Nuclear LLC, a New Jersey limited liability company, as Landlord (“Ground Lessor”), the Authority, as Tenant, and PSEG Nuclear LLC, in its own capacity, as amended and supplemented, the Ground Lessor has leased and shall lease to the Authority approximately half of the premises upon which the Project will be constructed, all as provided in and subject to the terms and conditions of the Ground Lease;

E. It has been determined that a portion of the Costs of the Project shall be financed through Lease/Sublease arrangements between the State and the Authority and the issuance and sale by the Authority of the 2023 Series A Bonds, which shall be issued pursuant to the Act and the Indenture, as the same may be amended and supplemented in accordance with the terms hereof. The debt service on the Bonds shall be paid by the Authority from the Basic Rent payable to the Authority by the State under this Lease, subject to appropriation from time to time by the State Legislature.

F. By Resolution adopted by the Authority on December 21, 2022, the Authority has authorized (i) the issuance of not exceeding $160,000,000 State Lease Revenue Bonds (Offshore Wind Port Project), 2023 Series A (Federally Taxable) (Green Bonds – Climate Bond Certified), (ii) the execution and delivery of this Lease, the Sublease, the Trust Indenture, the First Supplemental Indenture and other documents, and (iii) other matters in connection with the foregoing for the purpose of financing all or a portion of the Costs of the Project and Costs of Issuance of the 2023 Series A Bonds (as hereinafter defined).

G. Pursuant to the terms of the Act and the Indenture, as the same may be amended and supplemented in accordance with the terms hereof, the Authority shall initially issue the Bonds in an aggregate principal amount sufficient to pay a portion of the Costs of the Project and the Costs of Issuance of such Bonds.
H. The Authority shall assign all of its rights to receive Basic Rent payable under this Lease to the Trustee.

I. In connection with the issuance of the 2023 Series A Bonds for the Project, the State will sublease the Leased Premises to the Authority pursuant to the State Sublease.

The parties desire hereby to set forth the terms and conditions on which the leasing of the Leased Premises by the State to the Authority shall be effected.

NOW, THEREFORE, the parties hereto, in consideration of the premises and covenants herein set forth, and for other good and valuable consideration, receipt of which is hereby acknowledged, each intending to be legally bound, HEREBY AGREE AS FOLLOWS:

ARTICLE I
DEFINITIONS AND GENERAL PROVISIONS

SECTION 1.1. Definitions. Capitalized terms used but not defined in this Agreement shall have the meanings given to them in the Indenture. In addition, the terms set forth in this section shall have the meanings ascribed to them for all purposes of this Agreement unless the context clearly indicates some other meaning. Words in the singular shall include the plural and words in the plural shall include the singular where the context so requires.

“Act” shall mean the New Jersey Economic Development Authority Act, L. 1974, c. 80, as heretofore or hereafter from time to time amended and supplemented.

“Additional Rent” shall mean the rental payments specified in Section 4.1(c) hereof.

“Administrative Expenses” shall mean Administrative Expenses – Bonds and Administrative Expenses – Ground Lease, individually or collectively, as the context may require.

“Administrative Expenses - Bonds” shall mean, from and after the Closing Date, (A) the fees and expenses of the Trustee, including any amounts due and required to be paid to the Trustee pursuant to the reimbursement provisions of the Indenture, any paying agents or tender agents, any other fiduciaries acting under the Indenture and the initial and annual fees of the Rating Agencies with respect to the Bonds, and (B) the fees and expenses of any rebate consultant engaged in connection with the Bonds issued with respect to the Project as provided in Section 4.1(d) of this Agreement.

“Administrative Expenses – Ground Lease” shall mean, from and after the Closing Date, the fees and expenses of the GLR Paying Agent, including any amounts due and required to be paid to the GLR Paying Agent pursuant to the reimbursement provisions of the GLR Paying Agent Agreement.
“Administrative Expenses-Initial” shall mean Administrative Expenses which are paid or to be paid from the proceeds of the sale of a Series of Bonds.

“Aggregate Obligations” shall mean, for any period with respect to any one or more Series of Bonds, the sum of (i) the Authority’s Bond Payment Obligations due and owing for such period with respect to such Series of Bonds, and (ii) the Authority’s Credit Facility Payment Obligations due and owing for such period in connection with any Credit Facility securing all or a portion of such Series of Bonds.

“Agreement” or “Lease” shall mean this Agreement and Lease dated January 1, 2023, between the Authority, as Lessor, and the State, as Lessee, and any and all modifications, alterations, amendments and supplements hereto made in accordance with the provisions hereof and of the Indenture.

“Authority” shall mean the New Jersey Economic Development Authority, a public body corporate and politic constituting an instrumentality of the State, created and existing under and by virtue of the Act, exercising governmental functions and any body, board, authority, agency or political subdivision or other instrumentality of the State which shall hereafter succeed to the powers, duties and functions thereof.

“Authority Leased Premises” shall mean the real property owned by the Authority which shall form a part of the Leased Premises, as more particularly described in the Lease.

“Authorized Authority Representative” shall mean the Chairman, Vice Chairman, Chief Executive Officer, President, Chief Operating Officer, Chief Financial Officer, Vice President, Managing Director, Director, or any other authorized Authority representative who shall have power to execute contracts pursuant to the bylaws or a resolution adopted by the Authority.

“Authorized State Representative” shall mean the State Treasurer, the Deputy State Treasurer or the Director of the Office of Public Finance in the Department of the Treasury.

“Authorizing Resolution” shall mean the Resolution adopted by the Authority on December 21, 2022, authorizing (i) the issuance of the 2023 Series A Bonds, (ii) the execution and delivery of, among other things, this Lease, the Sublease, the Trust Indenture and the First Supplemental Indenture and (iii) other matters in connection with the foregoing for the purpose of financing all or a portion of the Costs of the Project and Costs of Issuance of the 2023 Series A Bonds.

“Basic Rent” shall mean the rental payments specified in Section 4.1(a) hereof.

“Bond or Bonds” shall mean any bond or bonds, or note or notes, as the case may be, authenticated and delivered under and pursuant to the Indenture, including the 2023 Series A Bonds, any additional New Money Bonds and any Refunding Bonds.
“Bond Counsel” shall mean any attorney or firm of attorneys nationally recognized in the field of municipal finance and satisfactory to the State Treasurer and the Authority.

“Bond Payment Obligations” shall mean the Authority’s obligation to pay the Principal Installment or Redemption Price of and interest on the Bonds or the purchase price of Bonds tendered for purchase or otherwise purchased by the Authority or the Trustee, at the written direction of the Authority, including Bonds held by a Credit Issuer.

“Closing Date” shall have the meaning given to such term in Section 2.2 hereof.

“Code” shall mean the Internal Revenue Code of 1986, as amended and supplemented, and the regulations, revenue rulings and procedures issued or made applicable to Tax-Exempt Bonds or the proceeds thereof from time to time.

“Cost”, “Costs”, “Cost of the Project” or “Costs of the Project” shall mean cost as defined in or otherwise permitted under the Act.

“Credit Facility” shall mean any letter of credit, standby bond purchase agreement, line of credit, surety bond, insurance policy or other insurance commitment or similar agreement, satisfactory to the Authority, that is provided by a commercial bank, insurance company or other entity, with a current long term rating (or whose obligations thereunder are guaranteed by an entity with a long term rating) from Moody’s Investors Service, Inc. and S&P Global Ratings, a division of Standard & Poor’s Financial Services, LLC, not lower than the credit rating of the Series of Bonds to be secured by such Credit Facility, to further secure or provide liquidity for the payment of the Principal Amount and interest for a Series of Bonds.

“Credit Facility Payment Obligations” shall mean all payment and reimbursement obligations of the Authority to a Credit Issuer or any other Person pursuant to or in connection with any Credit Facility securing all or a portion of a Series of Bonds.

“Credit Issuer” shall mean the issuer of a Credit Facility.

“Debt Service Fund” shall mean the fund so designated and created pursuant to the Indenture.

“Department of the Treasury” shall mean the Department of the Treasury of the State of New Jersey.

“Early Termination Option” shall have the meaning given such term in Section 8.2 hereof.

“Early Termination Price” shall mean the amount required to pay, redeem and defease in whole the Outstanding Bonds pursuant to Section 1201 of the Indenture, including, but not limited to, an amount equal to the principal and redemption premium, if any, of, and interest accrued and to accrue on, the Outstanding Bonds to the date of their maturity or earlier redemption.
“Event of Non-Appropriation” shall mean an Event of Non-Appropriation described in Section 7.5 of this Agreement.

“Expiration Date” shall have the meaning given to such term in Section 2.2 hereof.

“First Supplemental Indenture” shall mean the First Supplemental Trust Indenture relating to State Lease Revenue Bonds (Offshore Wind Port Project), dated as of January 1, 2023, executed and delivered pursuant to the Trust Indenture in connection with the issuance of the 2023 Series A Bonds, which, upon such execution and delivery, shall be deemed to be a part of the Trust Indenture.

“Fiscal Year” shall mean (i) with respect to the State, each twelve (12) month period beginning July 1 and ending on June 30, or such other twelve (12) month period constituting the Fiscal Year of the State and (ii) with respect to the Authority, each twelve (12) month period beginning January 1 and ending on December 31, or such other twelve (12) month period constituting the Fiscal Year of the Authority.

“GLR Paying Agent” means The Bank of New York Mellon, in its capacity as GLR Paying Agent under the GLR Paying Agent Agreement.

“GLR Paying Agent Agreement” means the Ground Lease Rent Paying Agent Agreement, dated as of the date of issuance and delivery of the 2023 Series A Bonds, among the Authority, the State and the GLR Paying Agent.

“Ground Lease” shall mean the Ground Lease Agreement, dated September 14, 2021, among the Ground Lessor, as Landlord, the Authority, as Tenant, and PSEG Nuclear LLC, in its own capacity, as amended and supplemented.

“Ground Lease Rent” shall have the meaning given to the term “Rent” under the Ground Lease.

“Ground Lease Rent Account” shall mean the account so designated and established pursuant to Section 3.01 of the GLR Paying Agent Agreement.

“Ground Lease Rent Payment Date” shall mean each date upon which Ground Lease Rent is due and payable pursuant to the Ground Lease.

“Ground Lessor” shall mean PSEG Nuclear LLC, in its capacity as landlord under the Ground Lease.

“Ground Leased Premises” shall mean the leased premises as such term is defined in the Ground Lease and as more particularly described on Exhibit A.
“Improvements” shall mean all buildings, structures, parking facilities and other improvements, including all site improvements, now existing (whether to remain or to be removed or demolished in connection with the completion of the Project) or hereafter acquired, investigated, remediated, constructed, rehabilitated, renovated, repaired, installed, or removed, as applicable, on the Leased Premises, as part of the Project.

“Indenture” shall mean the Trust Indenture relating to State Lease Revenue Bonds (Offshore Wind Port Project), dated as of January 1, 2023, by and between the Authority and the Trustee, as from time to time amended or supplemented by Supplemental Indentures in accordance with the terms thereof.

“Leased Premises” shall mean (i) all of the Authority’s leasehold interest in the Ground Leased Premises, subject to terms and provisions of the Ground Lease, and (ii) the Authority Leased Premises, all as more particularly described in Exhibit A hereto.

“Lease Term” or “Term” shall mean the duration of the leasehold estate created by this Agreement as specified in Section 2.2 hereof.

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

(i) Bonds canceled by the Trustee at or prior to such date;

(ii) Bonds (or portions of Bonds) for the payment or redemption of which moneys, equal to the Principal Amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, shall be held in trust under the Indenture and set aside for such payment or redemption (whether at or prior to the maturity or redemption date), provided that if such Bonds (or portions of Bonds) are to be redeemed, notice of such redemption shall have been given or provision satisfactory to the Trustee shall have been made for the giving of such notice as provided in Article IV of the Trust Indenture;

(iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to applicable provisions of the Indenture; and

(iv) Bonds deemed to have been paid as provided in Section 1201 of the Trust Indenture.

“Payment Date” shall mean a date on which payment of any Aggregate Obligations shall be due and payable.
“Permitted Encumbrances” shall have the meaning given to such term in Section 6.02 of the Sublease.

“Principal Amount” of a Bond shall mean the stated principal amount of such Bond at maturity.

“Principal Installment” shall mean, as of any date of calculation and with respect to any Series, so long as any Bonds thereof are Outstanding, (a) the Principal Amount of Bonds of such Series due on a certain future date for which no Sinking Fund Installments have been established, or (b) the unsatisfied balance of any Sinking Fund Installments due on a certain future date for Bonds of such Series, or (c) if such future dates coincide as to different Bonds of such Series, the sum of such Principal Amount of Bonds and of such unsatisfied balance of Sinking Fund Installments due on such future date.

“Project” shall mean the New Jersey Wind Port, constituting a new purpose-built offshore wind marshalling and manufacturing port at Lower Alloways Creek, Salem County, New Jersey.

“Project Facilities” shall mean and include the Project Site and all Improvements comprising the Project.

“Project Fund” shall mean the fund so designated and established pursuant to the Indenture.

“Project Site” shall mean the land described by metes and bounds on Exhibit A hereto.

“Rating Agencies” shall mean, collectively, Moody’s Investors Service, Inc., and S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC, if such Rating Agencies are then providing a rating on the Bonds.

“Rebate Expert” shall mean a firm of investment bankers, financial consultants, attorneys or accountants that is experienced in the calculation of amounts required to be rebated to the United States under Section 148(f) of the Code.

“Redemption Price” shall mean, with respect to any Bond, the Principal Amount thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to such Bond and the Indenture.

“Refunding Bonds” shall mean all Bonds, whether issued in one or more Series, authenticated and delivered on original issuance pursuant to Section 203 of the Trust Indenture,
and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to Article III, Section 406 or Section 1106 of the Trust Indenture.

“Rentals” shall mean the sum of Basic Rent and Additional Rent as described in Section 4.1 hereof.

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

“Sinking Fund Installment” shall mean with respect to a Series an amount so designated which is established pursuant to the applicable Supplemental Indenture.

“State” shall mean the State of New Jersey.

“State Legislature” shall mean the New Jersey State Legislature.

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

“Sublease” shall mean the Lease dated January 1, 2023, by and between the State, as sublessor, and the Authority, as sublessee, with respect to the Leased Premises.

“Supplemental Indenture” shall mean any Supplemental Indenture authorized pursuant to Article X of the Trust Indenture.

“Tax Certificate” shall mean, with respect to the any Series of Bonds which are issued as Tax-Exempt Bonds, if any, a certificate to be executed by the Authority and the State simultaneously with the issuance of such Bonds in form and substance satisfactory to Bond Counsel.

“Tax-Exempt Bonds” shall mean Bonds the interest on which is not includable in the gross income of the holders thereof for Federal income tax purposes.

“Tenant Event of Default” shall have the meaning given to such term in the Ground Lease.

“Trustee” shall mean the trustee appointed pursuant to the Indenture, and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the Indenture.
“Trust Indenture” shall mean the Trust Indenture relating to State Lease Revenue Bonds (Offshore Wind Port Project), dated as of January 1, 2023, by and between the Authority and the Trustee.

“2023 Series A Bonds” shall mean Bonds authenticated and delivered on original issuance under and pursuant to Section 202 of the Trust Indenture for the purpose of paying a portion of the Costs of the Project.

“2023 Supplemental Indenture” shall mean the Supplemental Indenture to be executed and delivered pursuant to the Indenture in connection with the issuance of the 2023 Series A Bonds, which, upon such execution and delivery, shall be deemed to be a part of the Indenture.

Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Words importing the singular number shall include the plural number and vice versa unless the context shall otherwise indicate. The word “person” or “persons” shall include firms, corporations, associations, natural persons and public bodies unless the context shall otherwise indicate, and the singular and plural forms of words shall be deemed interchangeable whenever appropriate. Reference to a person other than a natural person shall include its successors.

SECTION 1.2. Incorporation of Recitals. The recitals in the Background section of this Agreement are incorporated herein by reference as if set forth in full herein and shall be binding on the parties to this Agreement.

ARTICLE II
LEASE OF LEASED PREMISES; TERM OF LEASE

SECTION 2.1. Lease of Leased Premises.
(a) The Authority hereby leases to the State, and the State hereby takes and leases from the Authority, (i) all of the Authority’s leasehold interest in the Ground Leased Premises, subject to the provisions of the Ground Lease, and (ii) the Authority Leased Premises. The State hereby agrees to pay rent as provided in Article IV of this Lease.

(b) The Authority shall deliver to the State possession, use and occupancy of each Parcel (as such term is defined in the Ground Lease) within the Ground Leased Premises on the Commencement Date (as such term is defined in the Ground Lease) of such Parcel pursuant to the Ground Lease except and subject to (i) Permitted Encumbrances, and (ii) the rights and reservations of the Ground Lessor pursuant to the Ground Lease, and thereupon, such Parcel shall become part of the Ground Leased Premises.
SECTION 2.2. Term of Lease. This Agreement shall commence on the date of issuance and delivery of the 2023 Series A Bonds by the Authority (the “Closing Date”), and this Agreement shall terminate, except for contingent reimbursement obligations of the Authority to the State under Section 4.3 hereof for claims not settled or reduced to judgment, upon the later to occur of (a) payment by the State of all obligations owed by the State pursuant to this Agreement, and (b) the date as of which all Bonds, including additional Bonds and Refunding Bonds and all Credit Facility Payment Obligations with respect thereto, are paid or deemed paid pursuant to the Trust Indenture, subject to any and all other termination provisions contained herein (the “Expiration Date”). The Term of this Agreement (also referred to as the Lease Term or the Term) is the period from and including the Closing Date to and including the Expiration Date. Upon the Expiration Date, the leasehold estate created herein shall terminate and the State shall not have any rights or interests in or to the Project Facilities. Upon the termination of this Agreement, at the Authority’s request, an Authorized State Representative shall execute and deliver such legal instruments as may be necessary or advisable to evidence the termination thereof, provided, however, that the Authority shall bear all costs and expenses in connection with the preparation, delivery and, if applicable, recording or filing, of such instruments, subject to Section 4.4(b) hereof.

SECTION 2.3. Surrender of Leased Premises. The State agrees that upon the termination of this Lease it will surrender the Leased Premises to the Authority free and clear of all liens and encumbrances, except for Permitted Encumbrances.

SECTION 2.4. Lease and Sublease Create Independent Estates.

It is specifically agreed by the State and the Authority that:

(a) The leasehold interest herein granted by the Authority to the State shall be independent of the Sublease;

(b) The Sublease shall not be an assignment or surrender of the leasehold interest herein granted to the State;

(c) The Sublease shall not operate as a merger or extinguishment of the leasehold interest herein granted to the State; and

(d) This Lease and the Sublease shall not constitute “washout” or “mutual” leases.

ARTICLE III
ISSUANCE OF BONDS; ADDITIONAL BONDS; PROJECT FUND

SECTION 3.1. Issuance of Bonds.
The Authority will use its best efforts, subject to prevailing market conditions and other circumstances beyond its reasonable control, to issue, sell and deliver Bonds in order to provide funds for payment of the Costs of the Project. The proceeds of the Bonds shall be applied as provided in the Indenture.

SECTION 3.2. Additional Bonds.

The Authority, subject to the written consent of the State Treasurer and subject to the approval of the Authority’s Board Members in their sole discretion, may issue additional New Money Bonds or Refunding Bonds for the purposes set forth in the Trust Indenture.

SECTION 3.3 Project Fund.

The Authority has in the Trust Indenture authorized and directed the Trustee to make payments from the applicable subaccount within the Project Fund to pay Costs of the Project upon receipt of one or more signed Requisitions substantially in the form attached to the Trust Indenture as Exhibit B.

ARTICLE IV
RENTALS AND OTHER PAYMENTS

SECTION 4.1. Payment of Rentals

(a) Basic Rent. Subject to Section 4.4(b) hereof, on or before each Payment Date, the State shall pay to the Trustee, as assignee of the Authority, as Basic Rent, a sum that, together with the balance, if any, on deposit in the Debt Service Fund and available therefor, is sufficient to pay the Aggregate Obligations with respect to the Bonds issued pursuant to the Trust Indenture that are due on such Payment Date.

(b) Ground Lease Rent. Subject to Section 4.4(b) hereof, on or before each Ground Lease Rent Payment Date, the State shall pay to the GLR Paying Agent, for deposit to the Ground Lease Rent Account, for the account of the Authority, as Ground Lease Rent, a sum that, together with the balance, if any, on deposit in the Ground Lease Rent Account and available therefor, is sufficient to pay the Ground Lease Rent that is due on such Ground Lease Payment Date. Payment by the State of Ground Lease Rent shall be made in accordance with the procedures set forth in Section 3.01 of the GLR Paying Agent Agreement.

(c) Additional Rent.

(i) Subject to Section 4.4(b) hereof and Section 503 of the Trust Indenture, the State shall pay to the Trustee, as assignee of the Authority, for the Authority or any other persons entitled thereto, as Additional Rent for the Project, Administrative Expenses – Bonds
(other than Administrative Expenses-Initial, which shall be paid from the proceeds of the sale of the Bonds) within ninety (90) calendar days of the receipt by an Authorized State Representative of vouchers and invoices detailing the nature thereof.

(ii) Subject to Section 4.4(b) hereof and Section 2.02 of the GLR Paying Agent Agreement, the State shall pay to the GLR Paying Agent, as assignee of the Authority, Administrative Expenses – Ground Lease (other than Administrative Expenses-Initial, which shall be paid from the proceeds of the sale of the Bonds) within ninety (90) calendar days of the receipt by an Authorized State Representative of vouchers and invoices, in satisfactory form, detailing the nature thereof.

(d) Rebate Requirement. In the event that the Authority issues Tax-Exempt Bonds, the Authority shall engage a Rebate Expert to periodically calculate the amount, if any, required to be rebated to the United States under Section 148(f) of the Code with respect to such Tax-Exempt Bonds (the “Rebate Amount”), in accordance with the requirements of the arbitrage and tax compliance or similar certificates to be delivered by the Authority in connection with the issuance of each Tax-Exempt Bonds or as otherwise advised in writing by Bond Counsel, and the State shall periodically pay to the Authority, as Additional Rent, an amount that is sufficient, together with other amounts then on deposit in the Rebate Fund established under the Trust Indenture, to pay the Rebate Amount as and when due. The Trustee shall deposit the amounts paid pursuant to this paragraph in the Rebate Fund established under the Trust Indenture and shall apply such amounts to make payments to the United States pursuant to Section 148 of the Code.

SECTION 4.2. Prepayment of Basic Rent

The State shall have the option to make from time to time prepayments in whole or in part of Basic Rent, together with interest accrued and to accrue and redemption premium, if any, to be paid on any Bonds, for the purchase or redemption of which such prepayment is to be applied. The Trustee shall apply such prepayments in such manner consistent with the provisions of the Trust Indenture as may be specified in writing by an Authorized State Representative at the time of making such prepayment.

SECTION 4.3. Reimbursement.

(a) Both during the Lease Term and thereafter for claims arising during the Lease Term, the Authority shall reimburse the State for and the Authority shall pay any and all liability (including, without limitation, environmental liabilities of every kind and nature), loss, cost, damage, claims, judgment or expense, including reasonable attorneys' fees and expenses, which the State may sustain, be subject to or incur by reason of any claim, suit or action arising out of the actions of the Authority, its officers, employees or officials with respect to the Project Facilities,

(b) Both during the Lease Term and thereafter for claims arising during the Lease Term, the Authority shall reimburse the State for and the Authority shall pay any and all liability, loss, cost, damage, claims, judgment or expense, including reasonable attorneys' fees, of any and all kinds or nature and however arising, imposed by law, which the State may sustain, be subject to or incur by reason of any claim, suit or action based upon personal injury, death, or damage to property, whether real, personal or mixed arising out of the negligence of the Authority, its officers, employees or officials with respect to the Project Facilities, but subject to the provisions of the New Jersey Tort Claims Act (N.J.S.A. 59:1-1 et seq.) including but not limited to N.J.S.A. 59:2-10; provided, however, that the State will not be reimbursed for its own negligence or willful misconduct.

(c) The State agrees as follows:

(i) The State shall give the Authorized Authority Representative prompt notice in writing of the filing of each such claim or any potential claim and the institution of each such suit or action once it has been properly served on the State.

(ii) The State shall not adjust, settle or compromise any such claim, suit or action without the approval of the Authority.

(iii) The State shall permit the Authority, if the Authority so chooses, to assume full control of the adjustment, settlement, compromise or defense of each such claim, suit or action; provided that that the State must approve, in writing, any settlement of an alleged claim.

(iv) The State shall not incur any cost for attorneys' fees, experts' testimony costs or any costs to defend the State or any of its members, officers, agents, servants, or employees unless such cost shall have been approved by an Authorized Authority Representative. This provision shall not be deemed to relieve any insurance company which has issued a policy of insurance as may be provided for in this Agreement from its obligation to defend the Authority, the State and any other insured named in such policy of insurance in connection with claims, suits or actions covered by such policy.

SECTION 4.4. Nature of Obligations of the State.

(a) Except as provided in this Section 4.4(b), the obligation of the State to pay Rentals and to pay all other amounts provided for in this Agreement and to perform its obligations under this Agreement shall be absolute and unconditional, and such Rentals and other amounts shall be payable without any rights of set-off, recoupment or counterclaim it might have against the Authority, the Trustee or any other person; provided, however, that the State's covenants pursuant
to this Section 4.4(a) that its obligations under this Agreement are absolute and unconditional, and pursuant to Section 4.4(c) that it shall not terminate this Agreement or be excused from performing its obligations hereunder for any cause, shall not limit the State’s rights to pursue any other remedy it might have against the Authority at law or in equity.

(b) Notwithstanding anything in this Agreement or the Trust Indenture to the contrary, the cost and expense of the performance by the State of its obligations under this Agreement and the incurring of any liabilities of the State under this Agreement, including, without limitation, the payment of all Rentals and the payment of all other amounts required to be paid by the State under this Agreement, shall be subject to and dependent upon appropriations being made from time to time by the State Legislature for such purpose. The State Legislature has no obligation to make such appropriations. The obligation of the State to pay amounts provided for in this Agreement shall not constitute a debt or liability of the State within the meaning of any Constitutional or statutory provisions or a pledge of the faith and credit of the State.

(c) The State will not terminate this Agreement (other than such termination as is provided for hereunder) or be excused from performing its obligations hereunder for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute an eviction or constructive eviction, failure of consideration, failure of title, or frustration of purpose, or any damage to or destruction of the Project Facilities, or the taking by eminent domain of title to or the right of temporary use of all or any part of the Project Facilities, or the failure of the Authority to perform and observe any agreement or covenant, whether expressed or implied, or any duty, liability or obligation arising out of or connected with this Agreement.

SECTION 4.5. Nature of Obligations of the Authority. Except as provided in Section 4.3, the cost and expense of the performance by the Authority of any of its obligations under this Agreement shall be limited to the availability of the proceeds of Bonds of the Authority issued for such purposes or from other funds received by the Authority to finance the Project and available for such purposes.

SECTION 4.6. Net Lease. This Agreement is a “net lease”, the intention of the parties being that this Agreement shall yield to the Authority the net annual Rentals specified herein during the Lease Term and that all costs, expenses and obligations of every kind and nature of the State arising out of this Agreement, if any, shall be paid by the State.

SECTION 4.7. Assignment of Payments by the Authority.

(a) It is understood that all payments by the State to the Authority under Section 4.1(a) of this Agreement are to be assigned by the Authority to the Trustee pursuant to the Trust Indenture. The Authority agrees to notify the State by the execution of an appropriate instrument making such assignment to the Trustee, and the State agrees upon receipt of such notification,
to pay to the Trustee at the trust office indicated in Section 901 of the Trust Indenture all payments payable by State to the Authority pursuant to this Section 4.1(a) of this Agreement.

(b) Except as provided in this Section 4.7, the Authority shall not assign this Agreement or any payments under this Agreement.

ARTICLE V
THE GROUND LEASE; DAMAGE, DESTRUCTION OR CONDEMNATION OF AUTHORITY LEASE PREMISES.

SECTION 5.1. The Ground Lease. The Authority has provided the State with a copy, certified or otherwise identified to its satisfaction, of the Ground Lease. The State shall, upon the request and at the expense of the Authority, execute and deliver a Subordination and Non-Disturbance Agreement upon terms acceptable to the State. Without limitation of the immediately preceding sentence, the State acknowledges that the provisions of the Ground Lease shall govern the construction, operation and maintenance; utilities and taxes; additions and enlargements; capital asset repair and replacement; insurance; damage or destruction; and condemnation relating to the Ground Leased Premises.

SECTION 5.2. Damage, Destruction or Condemnation of Authority Leased Premises. In the event of any damage, destruction, condemnation or similar event with respect to all or a portion of the Authority Leased Premises, the Net Proceeds therefrom shall be deposited in the applicable Subaccount within the Net Proceeds Account within the Project Fund and applied as determined by the Authority, with the written consent of the State Treasurer.

ARTICLE VI
SPECIAL COVENANTS

SECTION 6.1. Quiet Enjoyment. Subject to the terms of the Sublease, the Authority hereby covenants to provide the State during the term of this Lease with quiet use and enjoyment of the Leased Premises, subject to the Sublease, and the State during such term shall have, shall hold and shall enjoy the Leased Premises peaceably and quietly, without interference from the Authority, except as otherwise provided in the Sublease.

SECTION 6.2. Compliance with Laws and Regulations. The parties to this Lease agree to comply with all laws of the State applicable to the performance of this Lease and all future acts supplemental thereto or amendatory thereof.
SECTION 6.3. Assignment by the State. The State will not sell, assign or otherwise dispose of or encumber this Lease.

SECTION 6.4. Representation Not to Affect the Tax-Exempt Status of Tax-Exempt Bonds. The State and the Authority represent and agree, to the extent permitted by law, not to take any action or fail to take any action the result of which action or inaction would cause the interest on any Bonds issued as Tax-Exempt Bonds, if any, to lose the exclusion from gross income under Code Section 103 or cause interest on any Bonds issued as Tax-Exempt Bonds to be treated as an item of tax preference under Code Section 57.

ARTICLE VII
EVENTS OF DEFAULT AND REMEDIES

SECTION 7.1 Events of Default.

(a) An “Event of Default” shall mean, whenever they are used in this Agreement, any one or more of the following events:

(i) Failure by the State to pay or cause to be paid when due the payments of Basic Rent to be made under Section 4.1(a) hereof or the payments of Ground Lease Rent under Section 4.1(b), except if such failure is caused by an Event of Non-Appropriation as described in Section 7.5 hereof;

(ii) Failure by the State to pay or cause to be paid when due any payment to be made under this Agreement, other than payments of Basic Rent under Section 4.1(a) hereof and Ground Lease Rent under Section 4.1(b) hereof, which failure shall continue for a period of sixty (60) days after written notice, specifying such failure and requesting that it be remedied, is given to the State by the Authority or the Trustee (to the extent the Trustee has received written notice from the Authority of such failure), except if such failure is caused by an Event of Non-Appropriation as described in Section 7.5 hereof; or

(iii) Failure by the State to observe and perform any covenant, condition or agreement on its part to be observed or performed under this Agreement, other than as referred to in subsections (i) and (ii) of this Section 7.1, which failure shall continue for a period of sixty (60) days after written notice, specifying such failure and requesting that it be remedied, is given to the State by the Authority or the Trustee (to the extent the Trustee has received written notice from the Authority of such failure), unless the Authority shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Authority will not unreasonably withhold its consent to an extension of such time if
corrective action is instituted by the State within the applicable period and diligently pursued until the default is remedied.

SECTION 7.2. Remedies.

(a) Except as provided in Section 7.5, whenever any Event of Default referred to in Section 7.1 hereof shall have happened and be subsisting, and provided that written notice of the Event of Default has been given to the State by the Authority or by the Trustee and the Event of Default has not been cured, the Authority shall have the right to take any and all actions available to it at law or in equity to collect the payments then due under this Agreement and thereafter to become due under this Agreement, including the right to seek a judgment and to enforce performance and observance of any obligation, agreement or covenant of the State under this Agreement, provided that the State’s obligation to make any payments under this Agreement shall be construed to be executory in nature only to the extent of moneys actually appropriated by the State Legislature for such purpose. In addition, nothing contained in this Agreement shall be deemed to preclude the Ground Lessor from exercising any of its rights and remedies under the Ground Lease upon the occurrence of a Tenant Event of Default.

(b) [Any amounts collected pursuant to action taken under this Section 7.2 shall be applied, first, to the payment of the principal of and interest on the Bonds then Outstanding and to the payment of Ground Lease Rent in accordance with the provisions of the Ground Lease, pari passu and on a parity basis, second, to the payment of any and all other amounts then due or thereafter to become due under this Agreement, and third, all funds remaining shall be paid to the State.]

SECTION 7.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Authority or Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority or the Trustee to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than such notice as may be herein expressly required.

SECTION 7.4. No Additional Waiver Implied by One Waiver. In the event any agreement contained in this Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

SECTION 7.5. Event of Non-Appropriation.

(a) An Event of Non-Appropriation with respect to the Bonds shall be deemed to have occurred under this Agreement if:
(i) in the case of the State’s obligation to pay Basic Rent and Ground Lease Rent, the State Legislature shall fail to appropriate funds to the Lease in the Annual Appropriations Act for such Fiscal Year (including without limitation, the reduction or cancellation of an appropriation pursuant to an amendment to the Annual Appropriations Act for such Fiscal Year) in an amount sufficient to pay when due Basic Rent and Ground Lease Rent coming due in such Fiscal Year; and

(ii) in the case of the State’s obligation to pay Additional Rent or the State’s obligations to make payments to the Authority under Section 4.3 of this Agreement, the State Legislature shall fail to appropriate funds to the Project in the Annual Appropriations Act for such Fiscal Year (including without limitation, the reduction or cancellation of an appropriation pursuant to an amendment to the Annual Appropriations Act for such Fiscal Year) in an amount sufficient to pay when due Additional Rent coming due in such Fiscal Year or to make payments to the Authority under Section 4.3 of this Agreement in such Fiscal Year.

(b) An Event of Non-Appropriation shall not be deemed to have occurred so long as an Event of Default has occurred and is continuing under Section 7.1(a)(i) or (ii) hereof.

NOTWITHSTANDING ANYTHING CONTAINED IN SECTION 7.5 HEREOF TO THE CONTRARY, A FAILURE BY THE STATE TO PAY WHEN DUE ANY BASIC RENT, GROUND LEASE RENT, ADDITIONAL RENT OR OBLIGATIONS DUE UNDER SECTION 4.3 HEREOF REQUIRED TO BE MADE UNDER THIS AGREEMENT OR A FAILURE BY THE STATE TO OBSERVE AND PERFORM ANY COVENANT, CONDITION OR AGREEMENT ON ITS PART TO BE OBSERVED OR PERFORMED UNDER THIS AGREEMENT, RESULTING FROM THE OCCURRENCE OF AN EVENT OF NON-APPROPRIATION SHALL NOT CONSTITUTE AN EVENT OF DEFAULT UNDER SECTION 7.1 HEREOF.

(c) A failure by the Authority to pay when due any Aggregate Obligations required to be made under the Trust Indenture or the Bonds, or to pay when due any Ground Lease Rent under the Ground Lease and the GLR Paying Agent Agreement, 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 Trust Indenture, the Bonds, the Ground Lease or the GLR Paying Agent Agreement, resulting from the occurrence of an Event of Non-Appropriation, shall not constitute an event of default under the Trust Indenture or this Agreement.

(d) Upon the occurrence of an Event of Non-Appropriation under this Agreement, the Trustee, on behalf of the Holders of the Bonds, and the Ground Lessor shall have no remedies. The Trustee may not seek to terminate this Agreement and has no rights to the Project Facilities. The State and has no obligation to pay any Rentals, Ground Lease Rent or other amounts under this Agreement with respect to which an Event of Non-Appropriation has occurred. However, this
Agreement will not terminate, and the State will remain obligated to pay such Rentals, Ground Lease Rent, all future Rentals, and all other amounts required to be paid under this Agreement, from appropriations to the Lease.

(e) From and after the occurrence of an Event of Non-Appropriation, and provided that there shall not have occurred and then be continuing an Event of Default under the Trust Indenture, (i) all applicable Rentals received by the Trustee pursuant to Section 4.1(a) and Section 4.1(c)(i) shall be applied as provided in Section 806 of the Trust Indenture; and (ii) all applicable Rentals received by the Trustee pursuant to Section 4.1(b) and Section 4.1(c)(ii) shall be applied as provided in paragraphs (e) and (f) of Section 3.01 of the GLR Paying Agent Agreement.

ARTICLE VIII

EARLY TERMINATION OPTION

SECTION 8.1. [RESERVED]

SECTION 8.2. Early Termination Option.

(a) The Authority shall have and may exercise, at any time prior to the expiration of the Lease Term if there shall not have occurred and then be continuing an Event of Default under this Agreement, the option to terminate this Agreement (and all obligations of the Authority and the State under this Agreement shall thereupon be terminated and extinguished, other than the reimbursement provisions contained in Section 4.3 hereof) under the provisions of this Section upon payment by the State to the Authority of the Early Termination Price pursuant to Section 8.3 of this Agreement (the “Early Termination Option”).

(b) The Authority may exercise the Early Termination Option by giving written notice thereof to the State and the Trustee at least sixty (60) days before the date of settlement of the Early Termination Option, or such shorter period as the State and the Trustee may agree to in writing.

(c) In the event that the Authority exercises the Early Termination Option to terminate this Agreement, as set forth above, and the State pays the Early Termination Price as required pursuant hereto, the State's leasehold interest in the Leased Premises shall be extinguished and the State shall, for the sum of One Dollar ($1.00), transfer, convey, release, assign and set over to the Authority or its assignee or designee all of the State's right, title and interest in and to the Leased Premises, by execution and delivery of such legal instruments as may be required therefor. The Authority shall bear all costs and expenses in connection with the preparation of the documents of conveyance and the delivery thereof and all fees, assessments, taxes and charges payable in connection with the conveyance of the State's right, title and interest in and to the Leased Premises, subject to Section 4.4(b). Upon such conveyance and payment therefor as aforesaid, this Agreement shall cease and terminate, and all obligations of the Authority and
the State under this Agreement shall be terminated and extinguished other than the reimbursement provisions contained in Section 4.3 hereof.

SECTION 8.3. Early Termination Price.

(a) The amount payable by the Authority to exercise its Early Termination Option for the Project Facilities pursuant to Section 8.2 of this Agreement shall be the sum of One Dollar ($1.00) plus the Early Termination Price plus such additional amount, if any, which, with all other funds available therefor, will be sufficient to provide for all other Costs incurred and to be incurred by the State in connection with the Project Facilities and under the Trust Indenture and this Agreement, including any expenses incurred in connection with such payment of the Early Termination Price and the payment, redemption and/or defeasance, as applicable, of the Bonds, except for contingent reimbursement obligations of the Authority to the State under Section 4.3 for claims not settled or reduced to judgment.

(b) The obligation to provide for payment in full of all of the Bonds as required by this Section 8.3 and the definition of Early Termination Price herein shall be satisfied in the same manner as Bonds are deemed paid pursuant to Section 1201 of the Trust Indenture.

SECTION 8.4. Date of Settlement. The Early Termination Price to be paid pursuant to Section 8.3 of this Agreement shall be paid on a date of settlement and at a place to be mutually agreed upon by the State and the Authority.

ARTICLE IX

REPRESENTATIONS AND WARRANTIES

SECTION 9.1. Representations and Warranties by the Authority.

(a) The Authority has the full legal right, power and authority to enter into this Agreement.

(b) The execution, delivery and performance by the Authority of this Agreement does not and will not violate any provision of any law of the State or any applicable judgment, order or regulation of any court or any public or governmental agency or authority of the State and does not and will not conflict with or result in any breach of any of the provisions of, or constitute a default under, any agreement or instrument to which the Authority is a party or by which the Authority may be bound.

(c) This Agreement has been duly authorized, executed and delivered by the Authority and constitutes a legal, valid and binding obligation of the Authority, enforceable in accordance with its terms, except as the enforcement thereof may be limited by applicable bankruptcy,
insolvency, moratorium, reorganization or similar laws relating to the enforcement of creditors' rights and general principles of equity.

(d) The Authority has or will obtain (i) a leasehold interest in the Ground Leased Premises, subject to the terms and conditions of the Ground Lease, and (ii) title to the Authority Leased Premises, which together comprise the Project Site (all as described in Exhibit A attached hereto) and the Improvements (as such term is defined in the Sublease) located on the Project Site, subject only to Permitted Encumbrances, and the Authority has the full right, power and authority to enter into, to execute and to deliver this Lease and the Sublease and to perform its obligations hereunder and thereunder, and has duly authorized the execution, delivery and performance of this Lease and the Sublease.

(e) To the best of the Authority’s knowledge, except for Permitted Encumbrances, the Leased Premises are not subject to any dedication, easement, right of way, reservation, covenant, condition, restriction, lien or encumbrance that would prohibit or would interfere materially with the proposed design, construction, equipping and operation of the Project;

(f) All taxes, assessments or impositions of any kind with respect to the Leased Premises, if any, and except for current taxes not due and payable, have been paid in full; and

(g) The Project is an authorized project pursuant to the Act.

SECTION 9.2. Representations and Warranties by the State. The State represents and warrants as follows:

(a) The Project is necessary for the State to perform its governmental purpose of providing for essential governmental services for the inhabitants of the State.

(b) The State has the full legal right, power and authority to enter into this Agreement.

(c) The execution, delivery and performance by the State of this Agreement does not and will not violate any provision of any law of the State or any applicable judgment, order or regulation of any court or any public or governmental agency or authority of the State and does not and will not conflict with or result in any breach of any of the provisions of, or constitute a default under, in any material respect, any agreement or instrument to which the State is a party or by which the State or any of its properties is or may be bound.

(d) This Agreement has been duly authorized, executed and delivered by the State and constitutes a legal, valid and binding obligation of the State, enforceable in accordance with its terms, except as the enforcement thereof may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or similar laws relating to the enforcement of creditors' rights and general principles of equity.
(e) Not less than seven days prior to the execution and delivery of this Agreement, the State Treasurer has notified, in writing, the President of the Senate and the Speaker of the General Assembly of this Agreement as required pursuant to Section 2(a) of P.L 2021, c. 158.

ARTICLE X
MISCELLANEOUS

SECTION 10.1. [Reserved]

SECTION 10.2. Successors and Assigns. This Agreement shall inure to the benefit of and shall be binding upon the State, the Authority and their respective successors and assigns, subject, however, to the provisions of Section 6.3 hereof.

SECTION 10.3. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

SECTION 10.4. Amendments, Changes and Modifications. This Agreement may be amended in writing by the parties, provided that the parties comply with Section 1005 of the Trust Indenture and, only if any Tax-Exempt Bonds are Outstanding, the Authority has received an opinion of Bond Counsel that such amendment shall not cause the interest on the Tax-Exempt Bonds, if any, to be includable in the gross income of any Holder thereof for Federal income tax purposes or cause the interest on the Tax-Exempt Bonds to be treated as an item of tax preference under Section 57 of the Code.

SECTION 10.5. Amounts Remaining under Trust Indenture. It is agreed by the parties hereto that any amounts remaining in any fund or account or subaccount created under the Trust Indenture with respect to the Project (except the Rebate Fund, if any), upon expiration or sooner termination of the Lease Term, as provided in this Agreement, after payment in full of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Trust Indenture) and the fees, charges and expenses of any fiduciaries acting under the Trust Indenture including, but not limited to, the Trustee and paying agents and the Authority in accordance with the Trust Indenture, shall belong to and be paid to the State, provided, however, that any funds at the time on deposit in the Project Fund which are needed to pay Costs of the Project shall be paid to the Authority.

SECTION 10.6. Notices. All notices or other communications provided for in this Agreement shall be in writing and shall be delivered personally to, or sent by certified or registered mail or overnight delivery service providing receipt against delivery (such as Federal Express), to the respective offices of: (a) the Authority, to the attention of (i) the Chief Executive Officer, New Jersey Economic Development Authority, 36 West State Street, P.O. Box 990, Trenton, New
Jersey 08625-0990, and (ii) the Vice President of Real Estate, New Jersey Economic Development Authority, 36 West State Street, P.O. Box 990, Trenton, New Jersey 08625-0990, and (b) the State Treasurer, New Jersey Department of the Treasury, c/o Office of Public Finance, 50 West State Street, 5\textsuperscript{th} Floor, P.O. Box 005, Trenton, New Jersey 08625-0005, Attention: Director, Office of Public Finance, or to such other representatives as the Authority or the State may from time to time designate in writing.

Copies of all notices shall also be given to the Trustee at The Bank of New York Mellon, 385 Rifle Camp Road, Woodland Park, NJ 07424, Attention: Corporate Trust.

SECTION 10.7. **Counterparts.** This Agreement may be simultaneously executed in several counterparts, each of which shall be an original but all of which together shall constitute but one and the same instrument.

SECTION 10.8. **Non-Waiver.** It is understood and agreed that nothing contained in this Agreement shall be construed as a waiver on the part of the parties, or any of them, of any right not explicitly waived in this Agreement.

SECTION 10.9. **Headings.** The Article and section headings in this Agreement are inserted for convenience of reference only and are not intended to define or limit the scope of any provision of this Agreement.

SECTION 10.10. **Applicable Law.** This Agreement shall be governed by and interpreted in accordance with the laws of the State.
IN WITNESS WHEREOF, the parties hereto have executed this Agreement, all as of the day and year first above written.

LESSOR:
NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY

By: [Signature]
Arlene M. Clark
Managing Director, Closing Services
LESSEE:

STATE OF NEW JERSEY

By: ________________________________

Elizabeth Maher Muoio
State Treasurer

APPROVED AS TO FORM ONLY:

MATTHEW J. PLATKIN,
ATTORNEY GENERAL OF NEW JERSEY

By: ________________________________

[STATE SIGNATURE PAGE TO AGREEMENT AND LEASE]
LESSEE:
STATE OF NEW JERSEY

By: ____________________________
    Elizabeth Maher Muoio
    State Treasurer

APPROVED AS TO FORM ONLY:

MATTHEW J. PLATKIN
ATTORNEY GENERAL OF NEW JERSEY

By: ____________________________
    Victoria G. Nilsson
    Deputy Attorney General

[STATE SIGNATURE PAGE TO LEASE]
EXHIBIT A

Landlord's Premises

Legal Description
New Jersey Wind Port Parcel A
New Jersey Economic Development Authority
Part of Block 26, Lot 4
Public Service Electric and Gas Co. (PSE&G)
Lower Alloways Creek Township
Salem County, New Jersey

BEING a part of that parcel or tract of land known as Block 26, Lot 4 in the Township of Lower Alloways Creek, Tax Map 14, Salem County, New Jersey, as described as Tract 1 in a Deed dated August 21, 2000, which was granted and conveyed by Public Service Electric and Gas Company, unto PSEG Nuclear, LLC, and recorded among the Land Records of Salem County, New Jersey in Deed Book 1049, Page 119.

Said tract or parcel of land more particularly described as follows, viz.:

BEGINNING for the same at a point along the division line between Block 26, Lot 4 and Block 26, Lot 2, distant said North 86° 47' 38" East 1,159.68 feet from the northwest corner of said Block 26, Lot 4, point having a coordinate as referenced to New Jersey State Plane Coordinate System, North American Datum 1983 (NJ SPC NAD83) of North 235,343.80 and East 198,750.35; thence leaving said outlines, and running;

(1) South 06° 20' 15" East, 1,192.44 feet to a point, thence;

(2) South 81° 31' 37" West, 641.51 feet to a point, thence;

(3) North 72° 43' 20" West, 190.30 feet to a point, thence;

(4) North 76° 16' 14" West, 353.92 feet to the western outlines of Block 26, Lot 4, thence running along said outlines;

(5) North 06° 36' 52" West, 1,079.34 feet to the aforesaid division line between Block 26, Lot 4 and Lot 2, thence along said division line;

(6) North 86° 47' 38" West, 1,159.68 feet to the point and place of beginning.

Said parcel as described above, containing 1,378,420 square feet or 31.644 acres of land, more or less.
Legal Description
New Jersey Wind Port Parcel C
New Jersey Economic Development Authority
Part of Block 26, Lot 4
Public Service Electric and Gas Co. (PSE&G)
Lower Alloways Creek Township
Salem County, New Jersey

BEING a part of that parcel or tract of land known as Block 26, Lot 4 in the Township of Lower Alloways Creek, Tax Map 14, Salem County, New Jersey, as described as Tract 1 in a Deed dated August 21, 2000, which was granted and conveyed by Public Service Electric and Gas Company, unto PSEG Nuclear, LLC, and recorded among the Land Records of Salem County, New Jersey in Deed Book 1049, Page 119.

Said tract or parcel of land more particularly described as follows, viz.:

BEGINNING for the same at a point along the division line between Block 26, Lot 4, Lot 5, and Lot 2, said point having a coordinate as referenced to New Jersey State Plane Coordinate System, North American Datum 1983 (NJ SPC NAD83) of North 235,400.10 and East 199,755.46; thence running along the division line of Block 26, Lot 4, and Lot 5;

(1) South 03°12'22" East, 1,196.13 feet to a point, thence leaving said outlines and running;

(2) North 41°25'44" West, 154.80 feet to a point, thence;

(3) South 86°47'36" West, 856.51 feet to a point, thence;

(4) North 06°06'13" West, 1,075.90 feet to the division line between Block 26, Lot 4 and Lot 2, thence along said division line;

(5) North 86°47'38" West, 1,006.68 feet to the point and place of beginning.

Said parcel as described above, containing 1,058,306 square feet or 24.295 acres of land, more or less.
Legal Description
New Jersey Wind Port Parcel D
New Jersey Economic Development Authority
Part of Block 26, Lot 5
Public Service Electric and Gas Co. (PSE&G)
Lower Alloways Creek Township
Salem County, New Jersey

BEING a part of that parcel or tract of land known as Block 26, Lot 5 in the Township of Lower Alloways Creek, Tax Map 14, Salem County, New Jersey, as described as Tract 2 in a Deed dated August 21, 2000, which was granted and conveyed by Public Service Electric and Gas Company, unto PSEG Nuclear, LLC, and recorded among the Land Records of Salem County, New Jersey in Deed Book 1049, Page 119.

Said tract or parcel of land more particularly described as follows, viz.:

BEGINNING for the same at a point distant South 38' 16' 15" West, 1,919.91 feet along the southeast line of the Hope Creek, Keeney, New Freedom, Salem - Deans right of way line, and North 12' 23' 25" West, 4,721.71 feet from the southeast corner of said Block 26, Lot 5, said point having a coordinate as referenced to New Jersey State Plane Coordinate System, North American Datum 1983 (NJ SPC NAD83) of North 233,077.58 and East 202,878.78; thence running;

(1) South 51' 37' 31" East, 77.32 feet to a point, thence;
(2) South 05' 23' 20" East, 496.85 feet to a point, thence;
(3) South 84' 36' 40" West, 581.01 feet to the aforesaid southeast line of the Hope Creek, Keeney, New Freedom, Salem - Deans right of way line, thence along said line;
(4) North 38' 16' 15" East, 760.71 feet to the point and place of beginning.

Said parcel as described above, containing 173,747 square feet or 3.989 acres of land, more or less.
Legal Description

New Jersey Wind Port Parcel E
New Jersey Economic Development Authority
Part of Block 26, Lot 5
Public Service Electric and Gas Co. (PSE&G)
Lower Alloways Creek Township
Salem County, New Jersey

BEING a part of that parcel or tract of land known as Block 26, Lot 5 in the Township of Lower Alloways Creek, Tax Map 14, Salem County, New Jersey, as described as Tract 2 in a Deed dated August 21, 2000, which was granted and conveyed by Public Service Electric and Gas Company, unto PSEG Nuclear, LLC, and recorded among the Land Records of Salem County, New Jersey in Deed Book 1049, Page 119.

Said tract or parcel of land more particularly described as follows, viz.:

BEGINNING for the same at a point distant North 09° 09' 14" East, 29.58 feet from the northeast line of the Salem - New Freedom right of way line, North 80° 57' 09" West, 1,338.97 feet along the northeast line of the Salem - New Freedom right of way line, and North 12° 23' 25" West, 546.60 feet from the southeast corner of said Block 26, Lot 5, said point having a coordinate as referenced to New Jersey State Plane Coordinate System, North American Datum 1983 (NJ SPC NAD83) of North 230,746.78 and East 203,646.18; thence running;

(1) North 80° 57' 09" West, 889.37 feet to a point, thence;
(2) North 09° 15' 20" East, 13.49 feet to a point, thence;
(3) Northeasterly 327.39 feet along the arc of a curve to the left having a radius of 1,315.00 feet and a long chord bearing and distance of North 02° 07' 24" East, 326.54 feet to a point, thence;
(4) North 05° 04' 03" West, 427.90 feet to a point, thence;
(5) North 07° 26' 10" West, 567.25 feet to a point, thence;
(6) Northwesterly 157.63 feet along the arc of a curve to the right having a radius of 1,286.30 feet and a long chord bearing and distance of North 03° 45' 35" West, 157.54 feet to a point, thence;
(7) North 00° 36' 05" West, 81.75 feet to a point, thence;
(8) North 84° 36' 40" East, 351.22 feet to a point, thence;
(9) Southeasterly 400.82 feet along the arc of a curve to the right having a radius of 280.00 feet and a long chord bearing and distance of South 54° 22' 47" East, 367.46 feet to a point, thence;
(10) South 13° 22' 15" East, 1,505.00 feet to a point, thence;
(11) South 09° 09' 14" West, 62.71 feet to the point and place of beginning.

Said parcel as described above, containing 1,193,888 square feet or 27.408 acres of land, more or less.
Legal Description
New Jersey Wind Port Parcel G-1
New Jersey Economic Development Authority
Part of Block 26, Lot 4, and Lot 5
Public Service Electric and Gas Co. (PSE&G)
Lower Alloways Creek Township
Salem County, New Jersey

BEING a part of that parcel or tract of land known as Block 26, Lot 4, and Lot 5 in the Township of Lower Alloways Creek, Tax Map 14, Salem County, New Jersey, as described in Tracts 1 and 2 in a Deed dated August 21, 2000, which was granted and conveyed by Public Service Electric and Gas Company, unto PSEG Nuclear, LLC, and recorded among the Land Records of Salem County, New Jersey in Deed Book 1049, Page 119.

Said tract or parcel of land more particularly described as follows, viz.:

BEGINNING for the same along the division of Block 26, Lot 4 and Lot 5, distant South 03° 12' 22" East, 1,196.13 feet from the northeast corner of Block 26, Lot 4, and the northwest corner of Block 26, Lot 5, said point having a coordinate as referenced to New Jersey State Plane Coordinate System, North American Datum 1983 (NJ SPC NAD83) of North 234,205.85 and East 199,822.35; thence running in through over and across Block 26, Lot 5;

(1) South 86° 19' 16" East, 1,057.75 feet to a point, thence;
(2) North 86° 56' 30" East, 612.20 feet to a point, thence;
(3) Southeasterly 229.52 feet along an arc of a curve to the right having a radius of 150.00 feet and a long chord bearing and distance of South 49° 13' 25" East, 207.77 feet to a point, thence;
(4) South 05° 23' 20" East, 521.36 feet to a point, thence;
(5) South 84° 36' 40" West, 783.87 feet to a point, thence;
(6) North 05° 23' 21" West, 515.16 feet to a point, thence;
(7) North 44° 35' 08" West, 184.52 feet to a point, thence;
(8) South 86° 48' 06" West, 274.21 feet to a point, thence;
(9) South 87° 24' 17" West, 73.98 feet to a point, thence;
(10) North 08° 01' 18" West, 36.26 feet to a point, thence;
(11) South 87° 01' 03" West, 555.94 feet to the aforesaid division line of Block 26, Lot 4, and Lot 5, thence along said division line;
(12) North 03° 12' 22" West, 14.24 feet to a point, thence running in through over and across Block 26, Lot 4;
(13) South 86° 47' 38" West, 182.12 feet to a point, thence;
(14) North 03° 12' 24" West, 181.82 feet to a point, thence;
(15) South 86° 47' 36" West, 767.64 feet to a point, thence;
(16) North 06° 06' 13" West, 50.06 feet to a point, thence;

(17) North 86° 47' 36" East, 856.51 feet to a point, thence;

(18) South 41° 25' 44" East, 154.80 feet to the point and place of beginning.

Said parcel as described above, containing 698,394 square feet or 16.033 acres of land, more or less.
Legal Description
New Jersey Wind Port Parcel G-2
New Jersey Economic Development Authority
Part of Block 26, Lot 5
Public Service Electric and Gas Co. (PSE&G)
Lower Alloways Creek Township
Salem County, New Jersey

BEING a part of that parcel or tract of land known as Block 26, Lot 5 in the Township of Lower Alloways Creek, Tax Map 14, Salem County, New Jersey, as described as Tract 2 in a Deed dated August 21, 2000, which was granted and conveyed by Public Service Electric and Gas Company, unto PSEG Nuclear, LLC, and recorded among the Land Records of Salem County, New Jersey in Deed Book 1049, Page 119.

Said tract or parcel of land more particularly described as follows, viz.:

BEGINNING for the same at a point distant South 54° 39' 32" East, 2,125.47 feet from the northwest corner of Block 26, Lot 5, said point having a coordinate as referenced to New Jersey State Plane Coordinate System, North American Datum 1983 (NJ SPC NAD83) of North 234,170.64 and East 201,489.26; thence running;

(1) North 86° 56' 30" East, 565.89 feet to a point, thence;

(2) South 05° 24' 18" East, 510.76 feet to a point, thence;

(3) South 51° 37' 31" East, 340.26 feet to the northwest line of the Hope Creek, Keeney, New Freedom, Salem- Deans right of way line, thence along said line;

(4) South 38° 16' 15" West, 862.82 feet to the northeast line of the Hope Creek, Keeney, New Freedom, Salem - Deans right of way line, thence along said line;

(5) North 74° 09' 51" West, 76.94 feet to a point, thence leaving said outlines and running;

(6) North 05° 23' 20" West, 262.06 feet to a point, thence;

(7) North 84° 36' 40" East, 200.86 feet to a point, thence;

(8) North 05° 23' 20" West, 200.00 feet to a point, thence;

(9) South 84° 36' 40" West, 200.86 feet to a point, thence;

(10) North 05° 23' 20" West, 753.54 feet to a point, thence;

(11) Northwesterly 229.52 feet along an arc of a curve to the left having a radius of 150.00 feet and a long chord bearing and distance of North 49° 13' 25" West, 207.77 feet to the point and place of beginning.

Said parcel as described above, containing 541,003 square feet or 12.420 acres of land, more or less.
Legal Description
New Jersey Wind Port Parcel G-3
New Jersey Economic Development Authority
Part of Block 26, Lot 5
Public Service Electric and Gas Co. (PSE&G)
Lower Alloways Creek Township
Salem County, New Jersey

BEING a part of that parcel or tract of land known as Block 26, Lot 5 in the Township of Lower Alloways Creek, Tax Map 14, Salem County, New Jersey, as described as Tract 2 in a Deed dated August 21, 2000, which was granted and conveyed by Public Service Electric and Gas Company, unto PSEG Nuclear, LLC, and recorded among the Land Records of Salem County, New Jersey in Deed Book 1049, Page 119.

Said tract or parcel of land more particularly described as follows, viz.:

BEGINNING for the same at a point distant South 28° 02' 56" East, 1,505.69 feet from the northwest corner of Block 26, Lot 5, said point having a coordinate as referenced to New Jersey State Plane Coordinate System, North American Datum 1983 (NJ SPC NAD83) of North 234,071.27 and East 200,463.47; thence running:

(1) North 86° 48' 06" East, 274.21 feet to a point, thence;

(2) South 44° 35' 08" East, 184.52 feet to a point, thence;

(3) South 35° 23' 21" East, 515.16 feet to a point, thence;

(4) South 84° 36' 40" West, 280.62 feet to a point, thence;

(5) Northwesterly 172.79 feet along an arc of a curve to the right having a radius of 110.00 feet and a long chord bearing and distance of North 50° 23' 20" West, 155.56 feet, thence;

(6) North 05° 23' 20" West, 558.64 feet to the point and place of beginning.

Said parcel as described above, containing 247,589 Square feet or 5.684 acres of land, more or less.
EXHIBIT A-1
Leased Premises

Legal Description
New Jersey Wind Port Parcel A
New Jersey Economic Development Authority
Part of Block 26, Lot 4
Public Service Electric and Gas Co. (PSE&G)
Lower Alloways Creek Township
Salem County, New Jersey

BEING a part of that parcel or tract of land known as Block 26, Lot 4 in the Township of Lower Alloways Creek,
Tax Map 14, Salem County, New Jersey, as described as Tract 1 in a Deed dated August 21, 2000, which was
granted and conveyed by Public Service Electric and Gas Company, unto PSEG Nuclear, LLC, and recorded among
the Land Records of Salem County, New Jersey in Deed Book 1049, Page 119.

Said tract or parcel of land more particularly described as follows, viz.:

BEGINNING for the same at a point along the division line between Block 26, Lot 4, and Block 26, Lot 2, distant
said North 86° 47' 38" East 1,159.68 feet from the northwest corner of said Block 26, Lot 4, point having a
coordinate as referenced to New Jersey State Plane Coordinate System, North American Datum 1983 (NJ SPC
NAD83) of North 235,343.80 and East 198,750.35; thence leaving said outlines, and running;

(1) South 20° 15' East, 1,192.44 feet to a point, thence;
(2) South 31° 37' West, 641.51 feet to a point, thence;
(3) North 43° 20' West, 190.30 feet to a point, thence;
(4) North 72° 43' 20" West, 190.30 feet to a point, thence;
(5) North 75° 16' 14" West, 353.92 feet to the western outlines of Block 26, Lot 4, thence running along said
outlines;
(6) North 06° 36' 52" West, 1,079.34 feet to the aforesaid division line between Block 26, Lot 4 and Lot 2,
thence along said division line;
(6) North 86° 47' 38" West, 1,159.68 feet to the point and place of beginning.

Said parcel as described above, containing 1,378,420 square feet or 31.644 acres of land, more or less.
Legal Description
New Jersey Wind Port Parcel G-1
New Jersey Economic Development Authority
Part of Block 26, Lot 4, and Lot 5
Public Service Electric and Gas Co. (PSE&G)
Lower Alloways Creek Township
Salem County, New Jersey

BEING a part of that parcel or tract of land known as Block 26, Lot 4, and Lot 5 in the Township of Lower Alloways Creek, Tax Map 14, Salem County, New Jersey, as described in Tracts 1 and 2 in a Deed dated August 21, 2000, which was granted and conveyed by Public Service Electric and Gas Company, unto PSEG Nuclear, LLC, and recorded among the Land Records of Salem County, New Jersey in Deed Book 1049, Page 119.

Said tract or parcel of land more particularly described as follows, viz.:

BEGINNING for the same along the division of Block 26, Lot 4 and Lot 5, distant South 03° 12' 22" East, 1,196.13 feet from the northeast corner of Block 26, Lot 4, and the northwest corner of Block 26, Lot 5, said point having a coordinate as referenced to New Jersey State Plane Coordinate System, North American Datum 1983 (NJ SPC NAD83) of North 234,205.85 and East 199,822.35; thence running in through over and across Block 26, Lot 5;

(1) South 86° 19' 16" East, 1,057.75 feet to a point, thence;
(2) North 86° 56' 30" East, 612.20 feet to a point, thence;
(3) Southeasterly 229.52 feet along an arc of a curve to the right having a radius of 150.00 feet and a long chord bearing and distance of South 49° 13' 25" East, 207.77 feet to a point, thence;
(4) South 05° 23' 20" East, 521.36 feet to a point, thence;
(5) South 84° 36' 40" West, 783.87 feet to a point, thence;
(6) North 05° 23' 21" West, 515.16 feet to a point, thence;
(7) North 44° 35' 08" West, 184.52 feet to a point, thence;
(8) South 86° 48' 06" West, 274.21 feet to a point, thence;
(9) South 87° 24' 17" West, 73.98 feet to a point, thence;
(10) North 08° 01' 18" West, 36.26 feet to a point, thence;
(11) South 87° 01' 03" West, 555.94 feet to the aforesaid division line of Block 26, Lot 4, and Lot 5, thence along said division line;
(12) North 03° 12' 22" West, 14.24 feet to a point, thence running in through over and across Block 26, Lot 4;
(13) South 86° 47' 38" West, 182.12 feet to a point, thence;
(14) North 03° 12' 24" West, 181.82 feet to a point, thence;
(15) South 86° 47' 36" West, 767.64 feet to a point, thence;
(16) North 06' 06' 13" West, 50.06 feet to a point, thence;
(17) North 86' 47" 36" East, 856.51 feet to a point, thence;
(18) South 41' 25' 44" East, 154.80 feet to the point and place of beginning.

Said parcel as described above, containing 698,394 square feet or 16.033 acres of land, more or less.
EXHIBIT B

Narrative Description of Project
SUBLEASE

(OFFSHORE WIND PORT PROJECT)

BETWEEN

THE TREASURER OF THE STATE OF NEW JERSEY
on behalf of the
STATE OF NEW JERSEY

as Sublessor
and

NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY,
as Sublessee

Dated as of January 1, 2023
THIS SUBLEASE (this “Sublease”), entered into as of the 1st day of January, 2023, by the TREASURER OF THE STATE OF NEW JERSEY, on behalf of the STATE OF NEW JERSEY (the “State”), as Sublessor (the “Sublessor”) and the NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY (the “Authority”), a public body corporate and politic organized and existing under the Act hereinafter mentioned, as Sublessee (the “Sublessee”).

BACKGROUND

Capitalized terms used and not otherwise defined in this Background shall have the meanings given such terms in Section 1.1 hereof or in the Trust Indenture (as hereinafter defined).

A. The Authority is a public body corporate and politic and an instrumentality of the State exercising public and essential governmental functions, organized, subsisting under and having the powers conferred by the Act including, inter alia, the power to render assistance to governmental bodies through, among other means, the issuance of its obligations and the entering into contracts, including leases and development agreements, for: (1)(a) the acquisition, construction, reconstruction, repair, alteration, improvement and extension of any building, structure, facility, including water transmission facilities or other improvement, whether or not in existence or under construction, (b) purchase and installation of equipment and machinery, and (c) acquisition and improvement of real estate and the extension or provision of utilities, access roads and other appurtenant facilities; all of which are to be used or occupied by any person in any enterprise promoting employment, either for the manufacturing, processing or assembly of materials or products, or for research or office purposes, including, but not limited to, medical and other professional facilities, or for industrial, recreational, hotel or motel facilities, public utility and warehousing, or for commercial and service purposes, including, but not limited to, retail outlets, retail shopping centers, restaurant and retail food outlets, and any and all other employment promoting enterprises, including, but not limited to, motion picture and television studios and facilities and commercial fishing facilities, commercial facilities for recreational fishermen, fishing vessels, aquaculture facilities and marketing facilities for fish and fish products, and (d) acquisition of an equity interest in, including capital stock of, any corporation; or any combination of the above, which the authority determines will: (i) tend to maintain or provide gainful employment opportunities within and for the people of the State, or (ii) aid, assist and encourage the economic development or redevelopment of any political subdivision of the State, or (iii) maintain or increase the tax base of the State or of any political subdivision of the State, or (iv) maintain or diversify and expand employment promoting enterprises within the State; (2) the cost of acquisition, construction, reconstruction, repair, alteration, improvement and extension of an energy saving improvement or pollution control project which the authority determines will tend to reduce the consumption in a building devoted to industrial or commercial purposes, or in an office building, of nonrenewable sources of energy or to reduce, abate or prevent environmental pollution within the State; and (3) the establishment, acquisition, construction, rehabilitation, improvement, and ownership of port facilities as defined in section 3 of P.L.1997, c.150 (C.34:1B-146).
B. Executive Order No. 8 (Murphy 2018) committed the State to immediately pursue an initial 1,100 megawatts of offshore wind power and a total of 3,500 megawatts of offshore wind power by 2030, Executive Order No. 92 (Murphy 2019), increased this power generation target to 7,500 megawatts by 2035, and Executive Order No. 307 (Murphy 2022) increased this power generation target to 11,000 megawatts by 2040.

C. On behalf of the State, the Authority is leading the development of the New Jersey Wind Port, constituting a new purpose-built offshore wind marshalling and manufacturing port at Lower Alloways Creek, Salem County, New Jersey (the “Project”); a first-of-its kind asset in the United States and centerpiece of the State’s broader offshore wind development agenda.

D. Pursuant to a Ground Lease Agreement, dated September 14, 2021 (the “Ground Lease”), among PSEG Nuclear LLC, a New Jersey limited liability company, as Landlord (“Ground Lessor”), the Authority, as Tenant, and PSEG Nuclear LLC, in its own capacity, as amended and supplemented, the Ground Lessor has leased and shall lease to the Authority a portion of the premises upon which the Project will be constructed, all as provided in and subject to the terms and conditions of the Ground Lease.

E. It has been determined that a portion of the Costs of the Project shall be financed through Lease/Sublease arrangements between the State and the Authority and the issuance and sale by the Authority of the 2023 Series A Bonds, which shall be issued pursuant to the Act and the Indenture, as the same may be amended and supplemented in accordance with the terms hereof. The debt service on the 2023 Series A Bonds shall be paid by the Authority from the Basic Rent payable to the Authority by the State under the Lease, subject to appropriation from time to time by the State Legislature.

F. By the Authorizing Resolution adopted by the Authority on December 21, 2022, the Authority has authorized (i) the issuance of not exceeding $160,000,000 State Lease Revenue Bonds (Offshore Wind Port Project), 2023 Series A (Federally Taxable) (Green Bonds – Climate Bond Certified), (ii) the execution and delivery of the Lease, this Sublease, the Trust Indenture, the First Supplemental Indenture and other documents, and (iii) other matters in connection with the foregoing for the purpose of financing all or a portion of the Costs of the Project and Costs of Issuance of the 2023 Series A Bonds.

G. Pursuant to the terms of the Act, the Authorizing Resolution and the Indenture, the Authority shall initially issue the 2023 Series A Bonds in an aggregate principal amount sufficient to pay a portion of the Costs of the Project, including the Costs of Issuance of such 2023 Series A Bonds.

H. The Authority shall assign all of its rights to receive Basic Rent payable under the Lease to the Trustee.
I. In connection with the issuance of the 2023 Series A Bonds for the Project, the State will sublease the Subleased Premises to the Authority pursuant to this Sublease.

The parties desire hereby to set forth the terms and conditions on which the subleasing of the Subleased Premises by the State to the Authority shall be effected.

NOW, THEREFORE, the parties hereto, in consideration of the premises and covenants herein set forth, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, each intending to be legally bound, HEREBY AGREE AS FOLLOWS:

ARTICLE I

Definitions

Section 1.01. Defined Terms. Capitalized terms used but not defined in this Sublease shall have the meanings given to them in the Lease or in the Indenture. In addition, the following terms shall have the meanings set forth below.

“Act” shall mean the New Jersey Economic Development Authority Act, L. 1974, c. 80, as heretofore or hereafter from time to time amended and supplemented.

“Agreement” or “Lease” shall mean the Agreement and Lease dated January 1, 2023, between the Authority, as Lessor, and the State, as Lessee, and any and all modifications, alterations, amendments and supplements hereto made in accordance with the provisions hereof and of the Indenture.

“Authority” shall mean the New Jersey Economic Development Authority, a public body corporate and politic constituting an instrumentality of the State, created and existing under and by virtue of the Act, exercising governmental functions and any board, body, authority, agency or political subdivision or other instrumentality of the State which shall hereafter succeed to the powers, duties and functions thereof.

“Authority Subleased Premises” shall mean the real property owned by the Authority which shall form a part of the Subleased Premises, as more particularly in Exhibit A hereto.

“Authorized Authority Representative” shall mean the Chairman, Vice Chairman, Chief Executive Officer, President, Chief Operating Officer, Chief Financial Officer, Vice President, Managing Director, Director, or any other authorized Authority representative who shall have power to execute contracts pursuant to the bylaws or a resolution adopted by the Authority.
“Authorizing Resolution” shall mean the Resolution adopted by the Authority on December 21, 2022, authorizing (i) the issuance of the 2023 Series A Bonds, (ii) the execution and delivery of, among other things, the Lease, this Sublease, the Trust Indenture and the First Supplemental Indenture and (iii) other matters in connection with the foregoing for the purpose of financing all or a portion of the Costs of the Project and Costs of Issuance of the 2023 Series A Bonds.

“First Supplemental Indenture” shall mean the First Supplemental Trust Indenture relating to State Lease Revenue Bonds (Offshore Wind Port Project), dated as of January 1, 2023, executed and delivered pursuant to the Trust Indenture in connection with the issuance of the 2023 Series A Bonds, which, upon such execution and delivery, shall be deemed to be a part of the Trust Indenture.

“Ground Lease” shall mean the Ground Lease Agreement, dated September 14, 2021, among the Ground Lessor, as Landlord, the Authority, as Tenant, and PSEG Nuclear LLC, in its own capacity, as amended and supplemented.

“Ground Lessor” shall mean PSEG Nuclear LLC, in its capacity as landlord under the Ground Lease.

“Ground Subleased Premises” shall mean the leased premises as such term is defined in the Ground Lease and as more particularly described on Exhibit A.

“Improvements” shall mean all buildings, structures, parking facilities and other improvements, including all site improvements, now existing (whether to remain or to be removed or demolished in connection with the completion of the Project) or hereafter acquired, investigated, remediated, constructed, rehabilitated, renovated, repaired, installed, or removed, as applicable, on the Subleased Premises, as part of the Project.

“Indenture” shall mean the Trust Indenture, as amended and supplemented, including as supplemented pursuant to the First Supplemental Indenture.

“Permitted Encumbrances” shall have the meaning given to such term in Section 6.02 of this Sublease.

“Project Facilities” shall mean and include the Project Site and all Improvements comprising the Project.

“Project” shall have the meaning set forth in the Background to this Sublease.

“Project Site” shall mean the land described by metes and bounds on Exhibit A hereto.

“State” shall mean the State of New Jersey.
“State Legislature” shall mean the New Jersey State Legislature.

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

“Sublease” shall mean this Sublease dated January 1, 2023, by and between the State, as sublessor, and the Authority, as sublessee, with respect to the Subleased Premises.

“Subleased Premises” shall mean (i) all of the State’s sub-leasehold interest in the Ground Subleased Premises, subject to terms and provisions of the Ground Lease, and (ii) all of the State’s leasehold interest in the Authority Subleased Premises, subject to the terms and provisions of the Lease, all as more particularly described in Exhibit A hereto.

“Trust Indenture” shall mean the Trust Indenture relating to State Lease Revenue Bonds (Offshore Wind Port Project), dated as of January 1, 2023, by and between the Authority and the Trustee.

Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Words importing the singular number shall include the plural number and vice versa unless the context shall otherwise indicate. The word “person” or “persons” shall include firms, corporations, associations, natural persons and public bodies unless the context shall otherwise indicate, and the singular and plural forms of words shall be deemed interchangeable whenever appropriate. Reference to a person other than a natural person shall include its successors.

Section 1.02. Incorporation of Recitals. The recitals in the Background section of this Sublease are incorporated herein by reference as if set forth in full herein and shall be binding on the parties to this Agreement.

ARTICLE II

Representations, Warranties and Covenants

Section 2.01. Representations, Warranties and Covenants of the State. The State represents and warrants to and covenants with the Authority as follows:

(a) The State has or will obtain (i) a sub-leasehold interest in the Ground Subleased Premises, subject to the terms and conditions of the Ground Lease and the Lease, and (ii) a leasehold interest in the Authority Subleased Premises, subject to the terms and conditions of the Lease, which together comprise the Project Site (all as described in Exhibit A attached hereto) and the Improvements located on the Project Site, subject only to Permitted Encumbrances, and the State has the full right, power and authority to enter into, to execute and to deliver the Lease and this
Sublease and to perform its obligations thereunder and hereunder, and has duly authorized the execution, delivery and performance of the Lease and this Sublease;

(b) All taxes, assessments or impositions of any kind with respect to the Subleased Premises, if any, and except for current taxes not due and payable, have been paid in full; and

(c) [The Project is necessary for the State to perform its governmental purpose of providing for essential governmental services for the inhabitants of the State.]

Section 2.02. Representations, Warranties and Covenants of the Authority. The Authority represents and warrants to and covenants with the State that the Authority has the full right, power and authority to adopt the Authorizing Resolution and to enter into, to execute, to deliver and to perform this Sublease, the Lease and the Indenture, and to perform its obligations hereunder and under the Lease and the Indenture and has duly authorized the adoption, execution, delivery and performance of this Sublease, the Lease and the Indenture.

ARTICLE III

Sublease of the Subleased Premises

Section 3.01. Sublease. The State hereby Subleases to the Authority and the Authority hereby takes and Subleases from the State for the sum of one dollar ($1.00) and other good and valuable consideration, the receipt and the sufficiency of which are hereby acknowledged, the Subleased Premises.

Section 3.02. Term. The term of this Sublease shall commence on the date of issuance and delivery of the 2023 Series A Bonds by the Authority and shall remain in effect until terminated in accordance with Article IV hereof, unless extended upon the issuance of Additional Bonds.

Section 3.03. Lease and Sublease Create Independent Estates.

It is specifically agreed by the State and the Authority that:

(a) The Sub-Leasehold interest herein granted by the State to the Authority shall be independent of the Lease;

(b) The Lease shall not be an assignment or surrender of the Sub-Leasehold interest herein granted to the Authority;
(c) The Lease shall not operate as a merger or extinguishment of the Sub-Leasehold interest herein granted to the Authority; and

(d) This Sublease and the Lease shall not constitute “washout” or “mutual” leases.

ARTICLE IV

Termination

Section 4.01. Termination. Subject to the other provisions hereof, this Sublease shall terminate upon the date that is the later to occur of:

(a) the payment by the State of all obligations required to be paid by it under the Lease, and

(b) the date as of which all Bonds and Credit Facility Payment Obligations (as such term is defined in the Lease) issued or entered into under the Indenture have been paid or deemed paid pursuant to the Indenture.

ARTICLE V

Quiet Use and Enjoyment

Section 5.01. Quiet Use and Enjoyment. Subject to the terms of the Lease and the Ground Lease, the State hereby covenants to provide the Authority during the term of this Sublease with quiet use and enjoyment of the Subleased Premises, and the Authority during such term shall have, shall hold and shall enjoy the Subleased Premises peaceably and quietly, without interference from the State.

Section 5.02. Compliance with Laws. The parties to this Sublease agree to comply with all laws of the State applicable to the performance of this Sublease and all future acts supplemental thereto or amendatory thereof.

ARTICLE VI

Use of Subleased Premises; Surrender; Assignment

Section 6.01. Use of Subleased Premises. The Authority shall use the Subleased Premises solely for purposes of the Project.
Section 6.02. **Surrender of Subleased Premises.** The Authority agrees that upon the termination of this Sublease it will surrender the Subleased Premises to the State free and clear of all liens and encumbrances, except the following permitted encumbrances (the “Permitted Encumbrances”):

(a) with respect to the Ground Subleased Premises, Permitted Exceptions, as such term is defined in the Ground Lease; and

(b) with respect to the Authority Subleased Premises, the following:

(i) undetermined liens and charges incident to construction, acquisition, demolition, reconstruction, relocation, renovation, environmental investigation, testing and remediation, installation, improvement, equipping, removal, establishment, repair, rehabilitation or maintenance of the Project Facilities, and liens and charges incident to construction, acquisition, demolition, reconstruction, relocation, renovation, environmental investigation, testing and remediation, installation, improvement, equipping, removal, establishment, repair, rehabilitation or maintenance now or hereafter filed on record which are being contested in good faith and have not proceeded to judgment, provided that the Authority shall have set aside adequate reserves with respect thereto with the State;

(ii) the lien of taxes and assessments which are not delinquent;

(iii) the liens of taxes and assessments which are delinquent but the validity of which is being contested in good faith and with respect to which the State shall have set aside adequate reserves, such reserves to be reimbursed by the Authority in the event that they are expended, unless by the contesting of the validity of such tax or assessment the Project Facilities or the interest of the Authority or the State may be in danger of being lost or forfeited;

(iv) minor defects and irregularities in the title to the Project Site which do not in the aggregate, in the reasonable judgment of an Authorized Authority Representative, materially impair the use of the Project Facilities for the purposes for which it is or may reasonably be expected to be held;

(v) easements, exceptions or reservations for the purposes of pipelines, telephone lines, telegraph lines, power lines and substations, roads, streets, alleys, highways, railroad purposes, drainage and sewerage purposes, dikes, canals, laterals, ditches, the removal of oil, gas, coal or other minerals, and other like purposes, or for the joint or common use of
real property, facilities and equipment, which do not, in the reasonable judgment of an Authorized Authority Representative, materially impair the use of such property for the purposes for which it is or may reasonably be expected to be held;

(vi) rights reserved to or vested in any municipality or governmental or other public authority to control or regulate or use in any manner any portion of the Project Facilities which do not, in the reasonable judgment of an Authorized Authority Representative, materially impair the use of the Project for the purposes for which it is or may reasonably be expected to be held;

(vii) any obligations or duties affecting any portion of the Project Facilities to any municipality or governmental or other public authority with respect to any right, power, franchise grant, license, or permit;

(viii) present or future zoning laws and ordinances, if any, applicable to the Project;

(ix) riparian rights of the United States of America or the State of New Jersey;

(x) the Lease, the Sublease and the Indenture; and

(xi) such items, if any, as are listed on the title search(es) for the Project Site(s).

Section 6.03. No Assignment or Sale. The State will not sell, assign or otherwise dispose of or encumber this Sublease.

ARTICLE VII

Miscellaneous

Section 7.01. Severability. If any term or provision of this Sublease or the application thereof to any person or circumstances shall be invalid or unenforceable to any extent, the remainder of this Sublease or the application of such term or provision to persons or to circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each term and provision of this Sublease shall be valid and enforceable to the fullest extent permitted by law.

Section 7.02. Notices and Demands. All notices or other communications provided for in this Sublease shall be in writing and shall be delivered personally to, or sent by certified or registered mail or overnight delivery service providing receipt against delivery (such as Federal Express), to the respective offices of: (a) the Authority, to the attention of (i) the Chief Executive Officer, New Jersey
Copies of all notices shall also be given to the Trustee at The Bank of New York Mellon, 385 Rifle Camp Road, Woodland Park, NJ 07424, Attention: Corporate Trust.

Section 7.03. Binding Effect. This Sublease shall inure to the benefit of and shall be binding upon the Authority and the State and their respective successors and assigns.

Section 7.04. Counterparts. This Sublease may be executed in counterparts, each of which shall constitute an original, but all of which together shall constitute one and the same instrument.

Section 7.05. Applicable Law. This Sublease shall be governed by and interpreted in accordance with the laws of the State of New Jersey.

Section 7.06. Amendments, Changes and Modifications. This Sublease may be amended from time to time by the Authority and the State, only as provided in Articles X and XI of the Trust Indenture.
IN WITNESS WHEREOF, the parties hereto have executed this Sublease as of the date first above written.

STATE OF NEW JERSEY, as Sublessor

By: ________________________________
    Elizabeth Maher Muoio
    State Treasurer

NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY, as Sublessee

By: ________________________________
    Arlene M. Clark
    Managing Director, Closing Services

APPROVED AS TO FORM ONLY:

MATTHEW J. PLATKIN,
ATTORNEY GENERAL OF NEW JERSEY

By: ________________________________

[SIGNATURE PAGE TO SUBLEASE]
IN WITNESS WHEREOF, the parties hereto have executed this Sublease as of the date first above written.

STATE OF NEW JERSEY, as Sublessor

By: __________________________
  Elizabeth Maher Muolo
  State Treasurer

NEW JERSEY ECONOMIC DEVELOPMENT
AUTHORITY, as Sublessee

By: __________________________
  Arlene M. Clark
  Managing Director, Closing Services

APPROVED AS TO FORM ONLY:

MATTHEW J. PLATKIN
ATTORNEY GENERAL OF NEW JERSEY

By: __________________________

[SIGNATURE PAGE TO SUBLLEASE]
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STATE OF NEW JERSEY, as Sublessor

By: ____________________________
   Elizabeth Maher Muoio
   State Treasurer

NEW JERSEY ECONOMIC DEVELOPMENT
AUTHORITY, as Sublessee

By: ____________________________
   Name: Arlene M. Clark
   Title: Managing Director, Closing Services

APPROVED AS TO FORM ONLY:

MATTHEW J. PLATKIN
ATTORNEY GENERAL OF NEW JERSEY

By: ____________________________
   Victoria G. Nilsson
   Deputy Attorney General
EXHIBIT A-1
Leased Premises

Legal Description
New Jersey Wind Port Parcel A
New Jersey Economic Development Authority
Part of Block 26, Lot 4
Public Service Electric and Gas Co. (PSE&G)
Lower Alloways Creek Township
Salem County, New Jersey

BEING a part of that parcel or tract of land known as Block 26, Lot 4 in the Township of Lower Alloways Creek,
Tax Map 14, Salem County, New Jersey, as described as Tract 1 in a Deed dated August 21, 2000, which was
granted and conveyed by Public Service Electric and Gas Company, unto PSEG Nuclear, LLC, and recorded among
the Land Records of Salem County, New Jersey in Deed Book 1049, Page 119.

Said tract or parcel of land more particularly described as follows, viz.:

BEGINNING for the same at a point along the division line between Block 26, Lot 4, and Block 26, Lot 2, distant
said North 86° 47' 38" East 1,159.68 feet from the northwest corner of said Block 26, Lot 4, point having a
coordinate as referenced to New Jersey State Plane Coordinate System, North American Datum 1983 (NJ SPC
NAD83) of North 235,343.80 and East 198,750.35; thence leaving said outlines, and running;

(1) South as 20' 15" East, 1,192.44 feet to a point, thence;
(2) South 81° 31' 37" West, 641.51 feet to a point, thence;
(3) North 72° 43' 20" West, 190.30 feet to a point, thence;
(4) North 75° 16' 14" West, 353.92 feet to the western outlines of Block 26, Lot 4, thence running along said
outlines;
(5) North 06° 36' 52" West, 1,079.34 feet to the aforesaid division line between Block 26, Lot 4 and Lot 2,
thence along said division line;
(6) North 86° 47' 38" West, 1,159.68 feet to the point and place of beginning.

Said parcel as described above, containing 1,378,420 square feet or 31.644 acres of land, more or less.
Legal Description
New Jersey Wind Port Parcel G-1
New Jersey Economic Development Authority
Part of Block 26, Lot 4, and Lot 5
Public Service Electric and Gas Co. (PSE&G)
Lower Alloways Creek Township
Salem County, New Jersey

BEING a part of that parcel or tract of land known as Block 26, Lot 4, and Lot 5 in the Township of Lower Alloways Creek, Tax Map 14, Salem County, New Jersey, as described in Tracts 1 and 2 in a Deed dated August 21, 2000, which was granted and conveyed by Public Service Electric and Gas Company, unto PSEG Nuclear, LLC, and recorded among the Land Records of Salem County, New Jersey in Deed Book 1049, Page 119.

Said tract or parcel of land more particularly described as follows, viz.:

BEGINNING for the same along the division of Block 26, Lot 4 and Lot 5, distant South 03° 12' 22" East, 1,196.13 feet from the northeast corner of Block 26, Lot 4, and the northwest corner of Block 26, Lot 5, said point having a coordinate as referenced to New Jersey State Plane Coordinate System, North American Datum 1983 (NJ SPC NAD83) of North 234,205.85 and East 199,822.35; thence running in through over and across Block 26, Lot 5;

(1) South 86° 19' 16" East, 1,057.75 feet to a point, thence;
(2) North 86° 56' 30" East, 612.20 feet to a point, thence;
(3) Southeasterly 229.52 feet along an arc of a curve to the right having a radius of 150.00 feet and a long chord bearing and distance of South 49° 13' 25" East, 207.77 feet to a point, thence;
(4) South 05° 23' 20" East, 521.36 feet to a point, thence;
(5) South 84° 36' 40" West, 783.87 feet to a point, thence;
(6) North 05° 23' 21" West, 515.16 feet to a point, thence;
(7) North 44° 35' 08" West, 184.52 feet to a point, thence;
(8) South 86° 48' 06" West, 274.21 feet to a point, thence;
(9) South 87° 24' 17" West, 73.98 feet to a point, thence;
(10) North 08° 01' 18" West, 36.26 feet to a point, thence;
(11) South 87° 01' 03" West, 555.94 feet to the aforesaid division line of Block 26, Lot 4, and Lot 5, thence along said division line;
(12) North 03° 12' 22" West, 14.24 feet to a point, thence running in through over and across Block 26, Lot 4;
(13) South 86° 47' 38" West, 182.12 feet to a point, thence;
(14) North 03° 12' 24" West, 181.82 feet to a point, thence;
(15) South 86° 47' 36" West, 767.64 feet to a point, thence;
(16) North 06' 06' 13" West, 50.06 feet to a point, thence;
(17) North 86' 47' 36" East, 856.51 feet to a point, thence;
(18) South 41' 25' 44" East, 154.80 feet to the point and place of beginning.

Said parcel as described above, containing 698,394 square feet or 16.033 acres of land, more or less.
RESOLUTION OF THE STATE HEALTH BENEFITS PROGRAM PLAN DESIGN COMMITTEE ESTABLISHING FIRST RESPONDERS PRIMARY CARE MEDICAL HOME PILOT PROGRAM

WHEREAS, pursuant to N.J.S.A. 52:14-17.29 et seq. the State Health Benefits Program (SHBP) provides health coverage to qualified employees and retirees of the State and participating local employers; and

WHEREAS, the SHBP was enacted in 1961 for the purpose of providing affordable health care coverage for public employees on a cost effective basis; and

WHEREAS, all SHBP plans, with the exception of Medicare Advantage plans, are self-funded, which means that the money paid out for benefits comes directly from an SHBP fund supplied by the State, participating local employers, and member premiums; and

WHEREAS, on July 6, 2015, the SHBP Plan Design Committee (SHBP PDC) adopted a resolution that established a Direct Primary Care Medical Home (DPCMH) Pilot Program; and

WHEREAS, the SHBP PDC recognizes that first responders, including but not limited to, employees of police and fire departments, emergency medical service personnel, dispatchers, park rangers, state and local correctional facility personnel, child protection & permanency investigators, medical examiners, Office of the Attorney General investigators and county prosecutor’s office investigators, both paid and volunteer, as well as their dependents, and certain designated support staff, may require specialized medical care and ease of access to that care in light of the trauma they may experience, emanating from their roles as public safety and emergency service personnel, whether they be local or state public employees.

NOW, THEREFORE, BE IT RESOLVED:

The SHBP PDC hereby establishes a First Responders Primary Care Medical Home (FIRST RESPONDERS) Pilot Program which shall:

• provide comprehensive primary care services, including pharmacy, preventive care, episodic sick care, basic urgent care, disease management, medication management, behavioral health, pain management services, health and wellness coaching, immunizations, and lab draws/collections, and

• include the capability to coordinate care of comprehensive specialist, hospital, and outpatient services.

The SHBP PDC further directs that the FIRST RESPONDERS Pilot Program be implemented with commencement of care to eligible and participating public employees and dependents beginning in Plan Year 2020.

The SHBP PDC additionally determines that the FIRST RESPONDERS Pilot Program shall be offered as a primary care provider option available to all eligible active employees, early retirees not covered by Medicare and their dependents in all SHBP health plans as follows:

• Enrollment of eligible SHBP members in the FIRST RESPONDERS Pilot Program shall be voluntary. Eligible plan members may enroll (opt in) or dis-enroll (opt out) at their sole discretion at any time during the plan year;
• Eligible members shall only first responders and their dependents, as well as certain designated support staff who require specialized medical care and ease of access to that care in light of the trauma they may experience, emanating from their roles as public safety and emergency services;

• Any eligible member shall pay no cost-sharing (copays, deductibles, or coinsurance) for medical services provided by the FIRST RESPONDERS Pilot Program; and

• The FIRST RESPONDERS Pilot Program specifications and standards, as outlined in Appendix 1, shall be incorporated into this Resolution by reference.

The SHBP PDC mandates that the FIRST RESPONDERS Pilot Program provider be considered an in-network provider and directs the Division of Pension & Benefits (DPB) to work with the appointed provider to meet the necessary criteria to effectuate this requirement with the SHBP plan administrator(s) prior to September 1, 2019.

The SHBP PDC further directs the plan administrator(s) to assist in the implementation and administration of the FIRST RESPONDERS Pilot Program and mandates that in the event that an Exclusive Provider Organization (EPO) or similar narrow network plan design is offered by the plan administrator(s) as a health plan choice, the FIRST RESPONDERS Pilot Program shall be included as a primary care provider option to those who elect to participate in the EPO or narrow network health plan, provided that the FIRST RESPONDERS Pilot Program meets the necessary plan administrator criteria for inclusion in the EPO.

The SHBP PDC additionally directs that, in order to better ensure attainment of Pilot Program goals, the provider selected to support the Pilot Program shall limit, to the largest extent possible, access to the facility to only first responders, child protection and permanency case workers, any designated support staff and their dependents. In the event that the provider provides care to non-SHBP first responders and child protection and permanency caseworks, designated support personnel or their dependents, aggregated, HIPAA compliant, data for this Pilot Program shall reference only SHBP member activity and shall be readily made available to the DPB as well as the SHBP PDC.

In addition, the SHBP PDC directs the DPB to work to ensure that no later than the end of the first quarter of Plan Year 2020, a qualified FIRST RESPONDERS Pilot Program provider, defined as an entity possessing the capacity and willingness to deliver care in accordance with the specification and standards as outlined in Appendix 1, be selected and delivery of care commence. For purposes of effective implementation of this Pilot, the PDC delegates The Treasury department to resolve administrative questions which may arise to achieve consistency with this resolution. Such care shall continue for a period of not less than three years.

The SHBP PDC reserves the right to make necessary adjustments to the Pilot Program to improve participation, improve qualitative results and maximize the outcomes as intended. To facilitate this goal, a sub-committee of not more than three labor and three management representatives of the SHBP PDC shall be established by the SHBP PDC co-chairs. The sub-committee shall be established not later than March 1, 2020 and shall be tasked with reviewing data and results over the course of the three-year Pilot Program. The sub-committee shall make recommendations to the full PDC for approval to modify the Pilot Program as based upon:

• Input from labor representatives who shall provide bi-annual reports on program success,
member satisfaction, as well as education and communication efforts to increase participation over the course of the Pilot Program;

- Qualitative and quantitative feedback and reports of DPB staff, third-party evaluators, FIRST RESPONDERS providers, plan administrator(s); and
- Analysis by an appropriate health care consultant, contracted by the DPB, to evaluate the savings and clinical performance of the FIRST RESPONDERS Pilot Program.

The SHBP PDC shall determine, after a period of not less than three years, commencing in the first year after delivery of care commences, whether to terminate the Pilot Program following expiration of the three-year pilot period, or extend the Pilot Program for a period of time to be determined by the SHBP PDC. The Pilot Program shall sunset after year three unless the SHBP PDC agrees to extend through a positive vote.
Appendix 1 - FIRST RESPONDERS Specifications and Standards

To qualify for participation in the FIRST RESPONDERS Pilot Program, a FIRST RESPONDERS provider must meet and adhere to the following care delivery specifications and standards:

A. The Medical Practice

1) The FIRST RESPONDERS provider shall provide comprehensive primary care services, including preventive care, episodic sick care and basic urgent care, chronic disease management, medication management, basic procedures, health and wellness coaching, behavioral health and pain management services, immunizations, and laboratory draws and collections on location at the medical home location(s), as well as coordination of comprehensive specialist, hospital, and outpatient services delivered, as medically appropriate, to enrolled participants by their personal primary care physicians. The medical services to be provided by the FIRST RESPONDERS provider shall include, but not be limited to, the following:

**Primary & Preventive Care**
- Basic vision/hearing screening
- Biometric screening
- Blood pressure screening
- Chronic disease management
- Comprehensive physical exams
- Coordination with other providers (e.g., specialists, hospitals)
- Episodic sick care
- Fitness & nutrition coaching
- Health risk assessment
- Lifestyle & risk-reduction coaching
- Medication management
- Urgent care
- Individualized Care Plans
- Screening and diagnostic imaging (note: recommended but not required)

**Treatments & Procedures**
- Basic splinting
- Basic wound care
- Ear wax removal
- Electrocardiograms (EKG)
- Ingrown toenail removal
- Nebulizer treatment
- Peak flow testing
- Skin biopsy (lab not included)
- Skin cyst removal
- Skin tag & wart removal (cryo)
Stitches
Suture / staple removal

Labs
Blood draws & sample collection
Hemoglobin A1C
Lung function screening (spirometry; lab not included)
Pregnancy test
Standard annual lab test
Stool blood test (FORT)
Strep throat test

Immunizations
Flu vaccine (3 shot series)
Hepatitis A (2 shot series)
Hepatitis B (3 shot series)
HPV (human papilloma virus)
Meningococcal
MMR (measles, mumps, rubella)
Varicella (chicken pox)
Pneumovax
TD (tetanus, diphtheria, booster)
TdaP (tetanus, diphtheria, pertussis)
Zoster (shingles)

2) The FIRST RESPONDERS provider will offer each enrollee an accountable personal primary care physician (and a choice of such physicians, if there is more than one participating primary care doctor) who will be responsible, if authorized by the patient, for coordinating their patients’ care across all care settings, overseeing transitions in care between settings, and minimizing the risk of gaps in care for their patients. The FIRST RESPONDERS provider will provide adequate staffing to insure adequate attention to the member and minimal wait times.

3) The FIRST RESPONDERS provider will provide enrollees same day or next day urgent care appointments and direct telephone and electronic access 24 hours a day.

4) FIRST RESPONDERS provider primary care physicians will conduct initial comprehensive physical examinations for each of their patients and follow-up comprehensive examinations at a frequency that is medically appropriate. For Members of the NJ State Police the FIRST RESPONDERS provider will administer annual physical testing for their required (C20) physical examination which shall include the mandatory hearing examination.

5) Working with their patients, FIRST RESPONDERS provider physicians will develop customized personal health plans designed to achieve compliance with recommended clinical best-practice standards for disease prevention and management, meet individual patient health needs, and reflect patients' individual lifestyle preferences.

6) At a minimum, the FIRST RESPONDERS provider health IT system will enable
secure electronic medical record keeping, user-friendly patient access to personal medical records, population health management tools, including a disease registry, clinical performance and outcomes reporting, secure patient-provider email communications, online scheduling of appointments, and patient access to health education resources.

7) To the extent allowed by New Jersey law and reimbursement contracts with pharmacy benefit managers servicing SHBP members, the FIRST RESPONDERS provider will provide access to medications either through an on-site pharmacy or physician supply of the most commonly prescribed generic medications.

B. Optimization of Downstream Care

1) **PCP Responsibility for Care Coordination** – At the patients’ request, the patients’ primary care providers will be authorized to coordinate their patients’ care across all care settings, oversee transitions in care between settings, and minimize the risk of gaps in care for their patients. When referrals are medically appropriate, or elected by the patient, regardless of physician referral, the patient’s primary care physician will provide the patient’s medical records to the downstream provider (specialist, hospital, or other outpatient care provider, as appropriate), brief the downstream provider on the specific reasons for the patient referral, and specify questions to be answered or medical issues to be resolved. Whenever possible, ongoing collaboration between the patient’s primary care provider and the downstream provider will be established.

2) **Referral Management** – Protocols between primary care providers and high-value secondary and tertiary providers will be in place to facilitate care coordination and help ensure patients return to care provided by the FIRST RESPONDERS provider primary care physician as soon as is clinically appropriate.

3) **High-Value Referrals** – The FIRST RESPONDERS provider will utilize transparency tools, plan administrator(s) ASO network provider quality and price data, patient satisfaction data, and measures of secondary and tertiary provider willingness and ability to coordinate care with the patient’s primary care provider in order to develop and continuously update a list of preferred, high-quality, competitively priced in-network specialists, hospital centers of excellence, and other service providers, when such referrals are medically appropriate or elected by the patient, regardless of physician referral.

4) **No Gatekeeping** – FIRST RESPONDERS provider physicians will recommend clinical referrals to high-value secondary or tertiary providers. However, FRCPCWPCMH provider physicians will not restrict patient choice of providers or limit access to providers to which patients otherwise have access in their selected SHBP health plans.

C. Alignment of Financial Incentives
1) No Patient Out-of-Pocket Cost-Sharing for FIRST RESPONDERS Provider Services – For enrolled SHBP members, there shall be no out-of-pocket cost-sharing in the form of patient copays, deductibles, or co-insurance for the expanded scope of primary care and comprehensive care coordination services provided by the FIRST RESPONDERS provider. Existing plan copays, deductibles, or co-insurance for downstream specialists remain in effect.

2) Payment for Hospital, Specialist, and Other Outpatient Services – Care delivered outside of the FIRST RESPONDERS provider setting by specialists, hospitals, and other outpatient service providers will be paid for in accordance with current plan administrators’ payment methods.

3) Integration of Public Employee Health and Wellness Incentives – FIRST RESPONDERS provider primary care physicians may integrate any employment-based health and wellness incentives that are offered by the SHBP or New Jersey State, county, or municipal employers into their patients’ personal health plans.

D. Care Quality Measurement

To facilitate comparisons with non-Pilot Program baseline metrics, the FIRST RESPONDERS provider care quality and patient satisfaction metrics should be aligned to the extent possible with the SHBP plan administrator’s established PCMH metrics and also metrics for other SHBP plans. Where established PCMH metrics are not included in the list below, they should be added. Where the SHBP plan administrator’s currently utilized PCMH metrics fail to include the FIRST RESPONDERS metrics listed below, the SHBP plan administrator’s battery of metrics should be broadened to include the below-listed care quality and patient satisfaction measurements. These adjustments will facilitate an ample spectrum of key comparisons between provider performance among in-network PCMHs, other non-Pilot Program providers and the FIRST RESPONDERS Pilot Program providers.

1) Participating FIRST RESPONDERS providers will continuously monitor care quality in accordance with a standardized set of care quality and patient satisfaction measurements. At a minimum, such care quality measurements will include the following groups of metrics:

   Group 1: Patient Engagement - % of patients who have completed a -

   a. comprehensive annual physical examination and adopted an individualized care plan
   b. The NJWELL program (% of eligible)
   c. face-to-face visit with the patient’s personal primary care physician
   d. follow-up contact with personal primary care physician after a referral.

   Group 2: Prevention - % of patients who have received age/gender appropriate diagnostic screenings, including --

   a. cervical Cancer screening
b. breast Cancer screening  
c. colorectal Cancer screening  

**Group 3: Chronic Disease Management - % of -**  

a. Diabetic patients who have HbA1C Screening  
b. Diabetic patients with HbA1C <9  
c. Diabetic patients with HbA1C <7  
d. Diabetic patients who have LDL-C Screening  
e. Diabetic patients with LDL-C<100  
f. Hypertensive Patients with blood pressure<140/90  

**Group 3a: Chronic Disease Management** - The SHBP PDC may specify any similar metrics it deems appropriate to evaluate quality of care provided by participating FIRST RESPONDERS providers for members with chronic diseases that are most prevalent and associated with the highest health care costs among the SHBP patient population.  

**Group 4: Patient Satisfaction** - Participating FIRST RESPONDERS providers will periodically assess patient satisfaction through patient surveys that include, at a minimum, the Net Promoter Score.  

2) The FIRST RESPONDERS providers will contrast their care quality performance to that of the most recent HEDIS commercial health maintenance organization (HMO) averages and present their findings on a schedule prescribed by the SHBP PDC.  

3) The FIRST RESPONDERS providers will apply the evaluation metrics above to evaluation and continuous improvement of health and patient satisfaction outcomes.
Appendix 2 - SHBP Evaluation of the FIRST RESPONDERS Pilot Program

A. After a period of two years following commencement of the FIRST RESPONDERS Pilot Program, the SHBP PDC shall apply the appropriate evaluation metrics to evaluate the clinical performance of the FIRST RESPONDERS Pilot Program, as a whole. This evaluation shall include measurement and comparison of the clinical performance of the participating FIRST RESPONDERS providers. In addition, the SHBP PDC shall evaluate the savings performance of the FIRST RESPONDERS Pilot Program, as a whole. This evaluation shall include comparison of savings generated by the respective FIRST RESPONDERS providers.
Appendix 3 - General Purpose of this Resolution

The objectives of this resolution are as follows:

A. Reduce overall growth in the cost of health care for the SHBP and their beneficiary employees, with nominal, if any, additional commitment of state resources;

B. Improve care quality, convenience of access, and SHBP beneficiary satisfaction with their care; and

C. Offer NJ first responders, child protection and permanency case workers, designated support staff, and their families choices of advanced FRCPCWPCMH care delivery options designed to:

1) optimize delivery of high-quality, evidence-based healthcare in the most cost-effective settings (with emphasis on effective prevention and management of chronic disease);
2) prioritize patient-centered delivery of comprehensive health care that is responsive to the individual needs and preferences of patients;
3) align patient and provider incentives to improve patient health outcomes and maximize the value of patient care;
4) assign accountable primary care providers with direct responsibility for delivering and coordinating quality health care across all care settings, while preserving patient choice of providers;
5) guarantee quick (same/next day) access to urgent care appointments;
6) identify and continuously update a list of high-value specialist and hospital in-network providers to serve as a preferred referral network for FIRST RESPONDERS physicians;
7) waive public employee and dependent cost-sharing (i.e., copays, coinsurance, and deductibles) for an expanded scope of advanced primary care services; and
8) locate conveniently accessible advanced primary care health centers in or near communities where public employees and their dependents live and work.

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