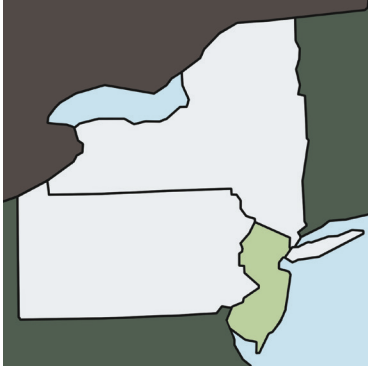# NEW JERSEY Budget Report Card

REFLECTING DECADES of underfunding public worker pension and other postemployment benefits (OPEB), principally health care, New Jersey was one of only seven states to receive a D-minus average, the lowest possible grade, in legacy costs for fiscal 2015 through 2019. In budget maneuvers, the state was one of just four receiving a D average, with neighboring Pennsylvania the sole state ranking lower.

Although New Jersey has increased its pension contributions in recent years, its 2019 appropriation was still only 61 percent of the actuarial recommendation. That year, New Jersey had the second-worst-funded state pension system in the US, with assets equal to 40 percent of promised benefits, up from 31 percent in 2016. It also failed to provide annual contributions for OPEB in line with actuarial recommendations and instead funded its $13.8 billion net liability on a pay-as-you-go basis.

New Jersey's budget maneuvers grade reflected numerous one-time actions to cover recurring expenditures and achieve balance. From 2015 to 2018, the state used the sale of assets and up-front revenues on financing transactions to shore up the budget, covered recurring expenditures with debt, deferred expenditures, and shifted revenues from special funds into the general fund to pay for recurring costs.

The state made fewer one-time moves in 2019. It continued to rely on transfers from special accounts to bolster the general fund, however, including shifting $82 million from the state's Clean Energy Fund to cover New Jersey Transit utility costs that are usually paid from general fund dollars. Another $47.5 million from the energy fund was used for utility costs in state facilities. The state also shifted $179.5 million to the general fund from the New Jersey Turnpike Authority—although that was $13.5 million less than in fiscal 2018.

New Jersey's shortcomings in the budget forecasting category, which resulted in a D average, have remained constant through the study period. It does not use the consensus method of revenue forecasting, and budget documents fail to provide multiyear projections for revenues or expenditures.

MID-ATLANTIC STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
New Jersey	D	D	D-	B	B
New York	A	D	B	B	B
Pennsylvania	B	D-	D	C	B
US AVERAGE	C	B	C	B	B

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preparing for the Storm* at VolckerAlliance.org.

NEW JERSEY Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	D	D	D	D	D					
Consensus Revenue Forecasts	X	X	X	X	X					
Multiyear Expenditure Forecasts	X	X	X	X	X					
Multiyear Revenue Forecasts	X	X	X	X	X					
Revenue Growth Projections	✓	✓	✓	✓	✓	●	●	●	●	●
5-YEAR AVERAGE D										

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	D	D	D	D	B					
Deferring Recurring Expenditures	✓	✓	X	X	✓					
Revenue and Cost Shifting	X	X	X	X	X					●
Funding Recurring Expenditures with Debt	X	X	X	✓	✓					
Using Asset Sales and Up-Front Revenues	X	X	✓	X	✓	●	●	●	●	
5-YEAR AVERAGE D										

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	D-	D-	D-	D-	D-					
Public Employee OPEB Funding	X	X	X	X	X					
Public Employee Pension Funding	X	X	X	X	X					
Public Employee Pension Funded Ratio*	37%	31%	36%	38%	40%	●	●	●	●	●
5-YEAR AVERAGE D-										

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓					
Reserve Funds Disbursement Policy	✓	✓	✓	✓	✓	●	●	●	●	●
Reserve Funds Replenishment Policy	✓	✓	✓	✓	✓					
Reserves Tied to Revenue Volatility	X	X	X	X	X					
5-YEAR AVERAGE B										

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Consolidated Budget Website	✓	✓	✓	✓	✓					
Provides Debt Tables	✓	✓	✓	✓	✓	●	●	●	●	●
Discloses Deferred Infrastructure Replacement Costs	X	X	X	X	X					
Discloses Tax Expenditures	✓	✓	✓	✓	✓					
5-YEAR AVERAGE B										

KEY

✓	Followed best practice
X	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.
* **SOURCE** Bloomberg.