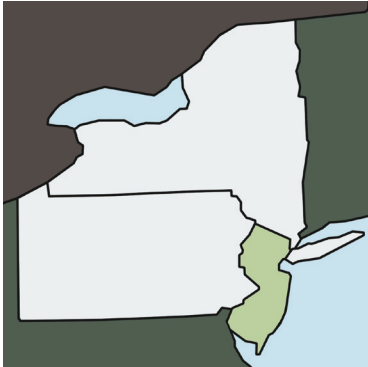


NEW JERSEY Budget Report Card



WITH THE WORST-FUNDED state pension system and a long history of failing to make actuarially determined contributions to help shore it up, New Jersey landed a D-minus for legacy costs in fiscal 2017 through 2019. It was one of only seven states to receive the worst possible grade in the category, which includes public worker pensions and other postemployment benefits (OPEB), principally health care.

While New Jersey has been increasing appropriations for pensions, its fiscal 2019 budget appropriated only 60 percent of the actuarially determined amount – far short of the annual sum needed to achieve full funding over time. According to data compiled by Bloomberg, the state’s unfunded pension liability was equivalent to \$14,515 per person in 2018, almost a third more than the per capita liability in Illinois, which has the second-worst-funded state pension. A lack of actuarially recommended contributions also left New Jersey with an unfunded OPEB obligation of \$90 billion in 2018.

Dependent on one-time actions to balance budgets, New Jersey scored nearly as poorly in budget maneuvers as in legacy costs, netting a D average for the three-year period. The state showed some improvement in 2019 as it avoided the use of debt to cover operating costs and did not defer recurring expenditures. But balancing the budget still required an estimated \$200 million in one-time funds generated by a tax amnesty program and additional transfers from special funds, including about \$130 million from the Clean Energy Fund.

The state’s best scores were B averages in reserve funds and transparency.


MID-ATLANTIC STATES SIDE BY SIDE: Three-Year Average Grades, 2017–19


	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	B	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: The Balancing Act* at VolckerAlliance.org.


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BUDGET FORECASTING				
	2017	2018	2019	
	CATEGORY GRADE	D	D	D
	Consensus Revenue Forecasts	X	X	X
	Multiyear Expenditure Forecasts	X	X	X
	Multiyear Revenue Forecasts	X	X	X
	Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE		D	3-YEAR TREND —	

BUDGET MANEUVERS				
	2017	2018	2019	
	CATEGORY GRADE	D	D	C
	Deferring Recurring Expenditures	X	X	✓
	Revenue and Cost Shifting	X	X	X
	Funding Recurring Expenditures with Debt	X	✓	✓
	Using Asset Sales and Upfront Revenues	✓	X	X
3-YEAR AVERAGE		D	3-YEAR TREND ↗	

LEGACY COSTS				
	2017	2018	2019	
	CATEGORY GRADE	D	D	D
	Public Employee OPEB Funding	X	X	X
	Public Employee Pension Funding	X	X	X
	Public Employee Pension Funded Ratio*	36%	38%	38%
3-YEAR AVERAGE		D	3-YEAR TREND —	

RESERVE FUNDS				
	2017	2018	2019	
	CATEGORY GRADE	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
3-YEAR AVERAGE		B	3-YEAR TREND —	

TRANSPARENCY				
	2017	2018	2019	
	CATEGORY GRADE	B	B	B
	Consolidated Budget Website	✓	✓	✓
	Provides Debt Tables	✓	✓	✓
	Discloses Deferred Infrastructure Replacement Costs	X	X	X
	Discloses Tax Expenditures	✓	✓	✓
3-YEAR AVERAGE		B	3-YEAR TREND —	

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; 2018 data also used for 2019.

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