

# WHAT IS NEW JERSEY HIDING?



**\$100 Billion  
in  
Hidden Debt**

71% of New Jersey's retirement debt is not clearly on its balance sheet.

Once these hidden debts are counted, New Jersey's balance sheet doesn't look so great. In fact, the state is sinking in debt. One of the reasons New Jersey is in this precarious financial position is state officials use antiquated accounting rules to report New Jersey's financial condition.

Truth in Accounting's detailed analysis discovered a total of \$140 billion of retirement benefits are owed, but not funded. Because of the confusing way the state does its accounting, only \$40 billion of these liabilities are reported on New Jersey's balance sheet. If this debt is included, New Jersey has a \$161 billion shortfall, which effectively represents compensation and other costs that have been pushed into the future.

## NEW JERSEY'S BILLS EXCEED ITS ASSETS

\$25 Billion  
ASSETS AVAILABLE

\$186 Billion  
**BILLS**

\$161 Billion  
NEEDED TO  
PAY BILLS

# THE FINANCIAL STATE OF NEW JERSEY

## The State's Bills Exceed Its Assets

|                                      |                   |
|--------------------------------------|-------------------|
| Assets                               | \$87,984,659,000  |
| Less: <i>Capital Assets</i>          | \$51,128,667,000  |
| <i>Restricted Assets</i>             | \$12,014,971,000  |
| Assets Available to Pay Bills        | \$24,841,021,000  |
| Less: Bills                          | \$185,597,383,000 |
| Money Needed to Pay Bills            | \$160,756,362,000 |
| <b>Each Taxpayer's Share of Debt</b> | <b>\$52,300</b>   |

New Jersey has \$88 billion in assets, but most of these assets are not available to pay state bills.

The \$51 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of \$12 billion of the assets is restricted by law or contract.

That leaves \$25 billion of state's assets available to pay \$186 billion of bills as they come due.

The \$161 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those prior years. Instead these costs have been shifted to future taxpayers.

Each Taxpayer's share of the state's debt is \$52,300.



Truth in Accounting is committed to educating and empowering citizens with understandable, reliable and transparent government financial information.

We call on governments to truthfully balance their budgets by including all real and certain expenses when incurred not when paid.

To be knowledgeable participants in their government and its budget process, citizens need to be provided with truthful and transparent financial information.

[www.TruthInAccounting.org](http://www.TruthInAccounting.org)

[www.StateDataLab.org](http://www.StateDataLab.org)

## The Bills New Jersey Has Accumulated

|   |                          |
|---|--------------------------|
| Bonds                                   | \$23,358,200,000         |
| Other Liabilities                       | \$55,421,311,000         |
| Less: Debt Related to Capital Assets    | \$33,229,318,000         |
| Unfunded Pension Benefits               | \$84,997,738,000         |
| Unfunded Retirees' Health Care Benefits | \$55,049,452,000         |
| <b>Bills</b>                            | <b>\$185,597,383,000</b> |

Despite the balanced budget requirement, the state has accumulated bonds of \$23 billion and other liabilities of \$55 billion. The calculation of assets available to pay bills does not include capital assets, so \$33 billion of related debt is removed from the calculation of state bills.

Unfunded employees' retirement benefits represent 75% of state bills. These unfunded liabilities have accumulated because state employees have been promised \$85 billion of pension benefits and \$55 billion of retirees' health care benefits, but the state has not adequately funded them.

Unless these pension and retirees' health care benefits are renegotiated, future taxpayers will be burdened with paying for these benefits without receiving any corresponding government services or benefits.

## Not All Retirement Liabilities Are Clearly Disclosed



A detailed study of New Jersey's actuaries' schedules found retirement benefits totaling \$140 billion have been promised, but not funded. A review of the state's balance sheet determined only \$40 billion of these liabilities are reported. This means the state does not report \$100 billion of retirement liabilities on its balance sheet.

Data is derived from the state of New Jersey's June 30, 2014 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Number of taxpayers is based on an estimation of the state's population with a federal tax liability.