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## **S&P Bulletin: New Jersey Governor's Budget Proposal Contains Large Structural Deficit**

NEW YORK (S&P Global Ratings) Sept. 9, 2020—S&P Global Ratings said today that the recent New Jersey executive budget proposal for the remaining nine months of fiscal 2021 uses reasonable economic assumptions and would leave the state with what we would view as an adequate fund balance, but also contains what we view as a large structural budget deficit.

### **Highlights**

- The New Jersey governor's budget proposal for fiscal 2021 contains a large structural deficit, which we calculate at about 15% of proposed 12 month appropriations, largely due to \$4 billion of deficit bonds and shortfalls in full actuarial based pension contributions.
- Appropriations in fiscal 2021 would increase over the prior year, which we see as evidence of the state's political and practical difficulty in cutting expenditures, in large part due to rising pension, debt service, and Medicaid costs.
- We will review the final enacted budget when it is adopted by the end of September for its long-term effect on the state's structural deficit, as well as its relation to rising debt and pension liabilities. The state's Office of Legislative Services has forecast significantly higher fiscal 2021 revenue, which may result in a different budget than that proposed by the governor.

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