HOW DOES NEW JERSEY COMPARE TO OTHER STATES?

New Jersey ranks 49th among US states for its fiscal health, based on its fiscal solvency in five separate categories.

New Jersey's financial ranking in FY 2013 was based on several areas of financial weakness. The state's revenues fell short of expenses, and long-term liabilities were two times larger than total assets. Unfunded pension liabilities amounted to $135 billion, with unfunded other postemployment benefits (OPEB) adding a further $66 billion and total primary government debt, an additional $40 billion. In total, these three items accounted for nearly half of the state's personal income.

1. New Jersey ranks 38th in terms of cash solvency.

Cash solvency measures whether a state has enough cash to cover its short-term bills, which include accounts payable, vouchers, warrants, and short-term debt. The cash ratios indicate that New Jersey had only 74 percent of the most liquid form of cash available to cover short-term liabilities. When factoring in less liquid forms of cash, New Jersey had available 1.9 times the cash needed for short-term bills.

	Cash ratio	Quick ratio	Current ratio
New Jersey	0.74	1.93	1.98
National average	2.23	3.02	3.37

2. New Jersey ranks 50th in terms of budget solvency.

Budget solvency measures whether a state can cover its fiscal year spending out of current revenues. Did it run a shortfall during the year? New Jersey's 0.93 operating ratio indicates that revenues fell short of expenses by 7 percent in FY 2013. The state ran a deficit of $487 per capita during the fiscal year.

	Operating Ratio	Surplus (deficit) per capita
New Jersey	0.93	($487)
National average	1.07	$473

3. New Jersey ranks 50th in terms of long-run solvency.

Long-run solvency measures whether a state has a hedge against large long-term liabilities. Are there enough assets available to cushion the state from potential shocks or long-term fiscal risks? New Jersey's negative net asset ratio indicates that the state's assets fell short of what was needed to cover all commitments. (Net assets are those left over after the government has paid its debts. They are a subset of total assets, which also include capital and government buildings. The net asset ratio measures the total of restricted and unrestricted assets, or net assets, as a portion of total assets.) New Jersey's long-term liability ratio indicates the state's long-term liabilities were two times larger than total assets. On a per capita basis, New Jersey's long-term liabilities were $8,662, nearly three times the national average.

	Net asset ratio	Long-term liability ratio	Long-term liability per capita
New Jersey	−1.40	2.04	$8,662
National average	0.03	0.40	$2,768

4. New Jersey ranks 20th in terms of service-level solvency.

Service-level solvency measures how high taxes, revenues, and spending are when compared to state personal income. Do states have enough "fiscal slack"? If spending commitments demand more revenues, are states in a good position to increase taxes without harming the economy? Is spending high or low relative to the tax base? New Jersey's total taxes represented 6 percent of state personal income. Revenues and expenses each accounted for 12 percent of personal income, indicating that the state relied on nontax sources of revenue to match expenses for FY 2013.

	Tax to income ratio	Revenues to income ratio	Expenses to income ratio
New Jersey	0.06	0.12	0.12
National average	0.06	0.14	0.13

5. New Jersey ranks 30th in terms of trust fund solvency.

Trust fund solvency measures how much debt a state has. How large are unfunded pension liabilities, OPEB liabilities, and state debt compared to the state personal income? When calculated on a guaranteed-to-be-paid basis, New Jersey's total unfunded pension liabilities accounted for 27 percent of the state's total personal income, slightly lower than the national average. (Pension benefits are recalculated based on a discount rate of 3.38 percent to account for the govern-ment's guarantee to pay employees earned benefits.) OPEB was a significant portion of state personal income at 14 percent, more than three times the national average, and total bonded debt accounted for a further 8 percent of state personal income.

	Pension to income ratio	OPEB to income ratio	Debt to income ratio
New Jersey	0.27	0.14	0.08
National average	0.29	0.04	0.04

State Debt

State debt is calculated from each state's Comprehensive Annual Financial Report. New Jersey's total primary government debt amounted to $40 billion in FY 2013, or 8.2 percent of state personal income, double the national average.

	General obligation bonds	Total primary government debt	Personal income	Ratio of debt to personal income	Total primary debt per capita
New Jersey	$2.40 billion	$40.39 billion	$492.90 billion	8.2%	$4,556
National average	$6.08 billion	$12.60 billion	$282.05 billion	4.0%	$1,824

Pension Liability

Pension liability is calculated from each state's pension actuarial reports. New Jersey's unfunded pension liabilities totaled $135 billion in FY 2013 when calculated on a guaranteed-to- be-paid basis.

	Unfunded liability	Funded ratio	Market value of unfunded liability (risk-free discount rate)	MVL funded ratio
New Jersey	$41.73 billion	60%	$135.46 billion	32%
National average	$19.85 billion	70%	$78.79 billion	40%

OPEB Liability

OPEB liability is calculated from each state's Comprehensive Annual Financial Report. New Jersey's OPEB was unfunded and totaled more than $66 billion in FY 2013, which was very high (14%) relative to the state's personal income.

	Total unfunded OPEB liability	Funded ratio
New Jersey	$66.80 billion	0%
National average	$10.84 billion	11%

Interpreting the Ratios: Financial Indicators Used to Measure Fiscal Condition

See mercatus.org/statefiscalrankings for a complete explanation of the methodology used to calculate New Jersey's fiscal health rankings.

Eileen Norcross, "Ranking the States by Fiscal Condition" (Mercatus Research, Mercatus Center at George Mason University, Arlington, VA, July 2015).