

ASSEMBLY BILL NO. 961

ADVANCE COPY

To the General Assembly:

Pursuant to Article V, Section I, Paragraph 14 of the New Jersey Constitution, I am returning Assembly Bill No. 961 without my approval.

Each year, the New Jersey Commission on Capital Budgeting and Planning ("Commission") prepares and delivers to me and the Legislature a State Capital Improvement Plan which, among other things, provides an "assessment" of the State's ability to increase its overall debt and a recommendation as to the amount of any such increase. In preparing its assessment, the Commission considers those criteria used by municipal bond rating agencies in rating governmental obligations, including the manner in which the State's debt is structured, fiscal management practices, current financial conditions, and the overall state of the economy. Because these factors are well-established and readily ascertainable, the debt assessment component of the State Capital Improvement Plan serves as a useful tool for our State's policy-makers when considering future debt obligations.

Regrettably, Assembly Bill No. 961 would eliminate the annual debt assessment prepared by the Commission and replace it with an elaborate analysis and narrative discussion intended to forecast the State's debt capacity for the next ten years. Specifically, the bill would require the Commission to, among other things, estimate State revenues for the next ten fiscal years, estimate potential additional State debt issuance for the next ten fiscal years, estimate the prospective debt capacity available over the next ten fiscal years, and compare New Jersey's State debt ratios over a ten-year period with the comparable debt ratios for the ten most populous states.

Unfortunately, because of the highly speculative nature of the factors to be considered, the ten-year debt affordability analysis proposed by this bill will not serve our policymakers, or our citizens, well. Imposing a ten-year time horizon on revenue and debt service affordability estimates creates a reliance on nebulous predictions of the future of national, state, and local economies, politics, legislation, and tax and revenue policy. As such, the Commission would be forced to produce a speculative report that would be of little value in making future debt determinations, but may adversely and erroneously affect the State's bond rating. Rather, by continuing to rely upon our current annual debt assessment, which uses concrete figures drawn from dependable estimates and ratings, the State can reliably account for the affordability of its present debt. Moreover, we can also begin to understand how the hard decisions our State must make to reform its pension and benefit system will impact the State's ability to afford future spending.

Since the earliest days of my Administration, I have urged the Legislature to confront the irresponsible fiscal practices of the past. As such, I do support the sponsors' intent to better understand the consequences that our current financial practices have on our future ability to address critical priorities. Examining, analyzing, and reducing all of our spending and debt obligations, where feasible, has been, and will continue to be, a primary focus of this administration. This bill, however, transcends into the world of the speculative in its efforts to forecast the State's capacity to afford potential future debt, and will do nothing to effectively correct the fiscal mismanagement of the past.

STATE OF NEW JERSEY
EXECUTIVE DEPARTMENT

3

Accordingly, I herewith return Assembly Bill No. 961
without my approval.

Respectfully,

[seal] /s/ Chris Christie
Governor

Attest:

/s/ Christopher S. Porrino
Chief Counsel to the Governor