



November 3, 2022

RE: CPAs Urge Yes Vote on S1884, provides plain language summary of state's overall financial health

Dear Honorable Members of the Senate State Government Committee:

The New Jersey Society of CPAs, with 12,000 members, urges you to vote yes on S1884 at the November 7 meeting of the Senate State Government Committee. This bill promotes a better understanding of the state's comprehensive financial picture that includes "off budget" items like long term liabilities and independent authorities. It goes beyond the annual budget, though the bill does include several budget transparency provisions.

Lawmakers, the media and the public typically focus almost exclusively on the annual state budget and overlook New Jersey's overall financial health, which is covered in great detail in the Annual Comprehensive Financial Report (ACFR). The information in the ACFR contains critically important items not covered by the annual budget, such as billions of dollars in unfunded liabilities, billions in spending and debt and financial information on the state's independent authorities. The ACFR provides a sobering picture of New Jersey's financial position. For fiscal year 2020 the state had net liabilities of \$221 billion.

The ACFR is so long (the 2020 edition is 420 pages), filled with technical accounting language, and difficult for a layperson to follow, that it's typically ignored. Many people do not even know that it exists. Furthermore, there is no statistical comparison of key items to comparable states that would help to put the state's fiscal health in perspective.

This bill requires the State Auditor to release annually a brief user-friendly report on the ACFR. This would make lawmakers, the media, and the public more aware of the state's true financial condition. This summary would also include per capita comparative statistics from Mid-Atlantic and Northeast states. Furthermore, it would require the State Auditor, at the beginning of the annual budget process, to appear before the Senate and Assembly budget committees to testify on the ACFR report.

Other items included are a better accounting for the long-term liabilities compared to other states; an honest accounting of how lawmakers projected revenues and spending in the budget; identifying structural gaps (e.g., needing to ramp up school funding or pension funding increases in the budget.); a better accounting of both the surplus and rainy-day fund and how the budget would handle stress like a recession.



We believe this legislation would play a critically important role in educating all parties on the state's comprehensive fiscal state, which will bring more transparency and provide for better policy making. Thank you for considering our position on this bill.

Sincerely,

Jeff Kaszerman
Vice President, Government Relations

