

**STATE OF NEW JERSEY
DEPARTMENT OF THE TREASURY**

VOLUNTARY DISCLOSURE

Dated: March 23, 2020

Due to the increase in the number of novel coronavirus ("COVID-19") cases in New Jersey, the surrounding region and across the globe, the Governor of the State of New Jersey issued Executive Order No. 103 declaring a public health emergency and a state of emergency in the State of New Jersey (the "State") on March 9, 2020. The declaration allows for certain executive actions to respond to the increasing amount of COVID-19 cases in the State.

On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic and on March 13, 2020, the President of the United States declared a national state of emergency.

On March 16, 2020, the Governor issued Executive Order No. 104, whereby the Governor ordered that gatherings of persons in the State shall be limited to 50 persons or less (with certain exceptions); that all K-12 schools be closed (with limited exceptions); all universities and colleges in the State cease in-person instruction; casinos, racetracks, in-person sports wagering, gyms and fitness centers, and entertainment centers be closed; non-essential businesses cease operations from 8:00 p.m. to 5:00 a.m.; and all restaurants and bars close except for delivery or take-out services.

On March 19, 2020, the Governor issued Executive Order No. 105, whereby the Governor, among other things, ordered certain local elections scheduled for during the rest of March and in April be moved to May 12, 2020, and that all elections on May 12, 2020, take place via mail-in ballot only. Also on March 19, 2020, the Governor issued Executive Order No. 106, whereby the Governor, among other things, ordered that no lessee, homeowner nor any other person can be removed from a residential property by foreclosure or eviction; and that no foreclosure or eviction proceedings be initiated or continued while Executive Order No. 106 is in effect.

On March 21, 2020, the Governor issued Executive Order No. 107, which supersedes the operative paragraphs of Executive Order No. 104 and whereby the Governor ordered all State residents to remain home or at their place of residence unless they are: (1) obtaining goods or services from essential retail businesses; (2) obtaining takeout food or beverages from restaurants, other dining establishments, or food courts; (3) seeking medical attention, essential social services, or assistance from law enforcement or emergency services; (4) visiting family or other individuals with whom the resident has a close personal relationship, such as those for whom the individual is a caretaker or romantic partner; (5) reporting to, or performing, their job; (6) walking, running, operating a wheelchair, or engaging in outdoor activities with immediate family members, caretakers, household members, or romantic partners while following best social distancing practices with other individuals, including staying six feet apart; (7) leaving the home for an educational, religious, or political reason; (8) leaving because of a reasonable fear for his or her health or safety; or (9) leaving at the direction of law enforcement or other government agency. The Governor also ordered that State residents practice social distancing and stay six (6) feet apart wherever practicable; that gatherings of individuals, such as parties, celebrations and social events are cancelled; casinos, racetracks, in-person sports wagering, gyms and fitness centers, and entertainment centers be closed; all county and municipal libraries be closed; all business and non-profits accommodate telework or work-from-home arrangements; that all Pre-K through 12 schools be closed; and all universities and colleges in the State cease in-person instruction. Also, on March 21, 2020, the Governor issued Executive Order No. 108, whereby the Governor ordered that any county or municipality which imposes restrictions in response to the COVID-19 pandemic which are inconsistent with the Governor's executive orders or administrative orders issued as authorized by the Governor's executive orders are declared invalid; and any county or municipal order, rule, regulation, ordinance or resolution which would conflict with Executive Order No. 107 is prohibited.

The State expects additional actions will be taken by State, federal and local governments and private entities to mitigate the spread of and impacts of COVID-19. Service sector workers and others who cannot telework may see reduced hours or layoffs due to reduced business demand, and supply shortages may increase. Depending on the length and breadth of the impacts of COVID-19, the economic impacts may be significant for the State's economy. The long-term and short-term capital markets have experienced significant deterioration in value and volatility, which can affect the liquidity and results of operations of companies in the State, the State economy as a whole and which also could materially affect the levels of the State's revenues for Fiscal Year 2020 and Fiscal Year 2021.

The impact of COVID-19 on the State, its economy and budget and finances is unpredictable and rapidly changing, but the State believes that events surrounding COVID-19 will negatively impact the State's economy and financial condition. Some of the negative impacts that the State has currently identified include:

- The State expects precipitous declines in revenues in Fiscal Year 2020 and Fiscal Year 2021, which include significant reductions in gross income tax revenues, corporate business tax revenues, and sales tax revenues due to required business shutdowns, motor fuels taxes due to Executive Order No. 107 (i.e., "stay-at home" orders), casino-related taxes due to casino closures, and lottery sales which have already started to decline.
- The State expects that it will need to significantly revise the estimated revenues and projected appropriations for Fiscal Years 2020 and 2021 contained in the Governor's Budget Message for Fiscal Year 2021 delivered on February 25, 2020, which was before the outbreak of COVID-19 within the State.
- The State expects to encounter negative impacts on its liquidity in Fiscal Year 2020 due to the expected extension of the State tax filing deadline from April 15, 2020 until potentially July 2020.
- It is possible that the State may encounter future increases in the State's actuarially recommended contributions to the State's pension plans to the extent that the valuation of pension plans is affected by the deterioration in value in the investment markets.

In response to the quickly evolving impacts of COVID-19 on the State's finances, on March 20, 2020, the Director of the Division of Budget and Accounting (the "Budget Director") placed over \$900 million of items of appropriation into reserve, which means that the Budget Director identified various appropriations which will now require the Budget Director's approval before the appropriated amount may be expended. With certain exceptions, the Budget Director has reserved appropriations representing: 50% of all uncommitted non-salary operating funds (with the exception of funding needed to provide 24/7 care at State institutions), 50% of all uncommitted revolving and dedicated funding, and 100% of all non-entitlement, discretionary grants-in-aid and state aid funding.

It is likely that the full fiscal impact of COVID-19 on the State will change significantly as the situation further develops. The actual impact of COVID-19 on the State, its economy and its budget and finances will heavily depend on future events, including future events outside of the control of the State, and actions by the Federal government as well as nations across the world. The State believes that it may be some time before the State is able to determine the full impact that the various events surrounding COVID-19 have on the State's economy and its financial condition.

TREASURER, STATE OF NEW JERSEY