



## **Rating Action: Moody's Ratings upgrades New Jersey to Aa3 from A1; outlook revised to stable from positive**

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17 Sep 2025

New York, September 17, 2025 -- Moody's Ratings (Moody's) has upgraded the State of New Jersey's issuer rating to Aa3 from A1 and upgraded or affirmed ratings on other New Jersey instruments listed below. The outlook has been revised to stable from positive.

The upgrade was driven by the state's ability to maintain a comparatively robust budgetary surplus through the current fiscal year even while providing full actuarial pension contributions and meeting education aid and other spending commitments. Rating actions are listed below.

### Upgrades:

Issuer rating: to Aa3 from A1

General obligation (GO) bonds: to Aa3 from A1

Garden State Preservation Trust Open Space and Farmland Preservation bonds: to Aa3 from A1

Appropriation bonds (non-lease, essential state purposes): to A1 from A2

New Jersey County College Enhancement Bond Program Chapter 12 (other notched general government obligation, non-GO): to A1 from A2

Appropriation bonds (lease and non-lease, less essential purposes): to A2 from A3

South Jersey Port Corp., Marine Terminal Revenue bonds (moral obligation): to A2 from A3

New Jersey Qualified School Bond Program (state aid intercept): to A1 from A2

New Jersey Municipal Qualified Bond Program (state aid intercept): to A1 from A2

### Affirmations:

Federal Highway Reimbursement Revenue notes, at A3

Motor Vehicle Surcharges Revenue Bonds (senior), at Baa1

Motor Vehicle Surcharges Revenue Bonds (subordinate), at Baa2

Please click on this link [http://www.moody's.com/viewresearchdoc.aspx?docid=PBM\\_PBM909324080](http://www.moody's.com/viewresearchdoc.aspx?docid=PBM_PBM909324080) for the List of Affected Credit Ratings. This list is an integral part of this Press Release and identifies each affected issuer.

### RATINGS RATIONALE

New Jersey's Aa3 issuer rating is supported by maintenance of financial reserves sufficient to absorb adverse economic impacts, combined with growing tax revenue, which will help the state extend its positive liability management trends. New Jersey is in its fifth consecutive year of full actuarial pension contributions, and also has defeased about \$4 billion of debt while avoiding an approximately equal amount of new issuance by cash funding infrastructure projects since fiscal 2021. The state's undesignated fund balance is projected at \$6.75

billion, or almost 12% of appropriations, for fiscal year end (6/30/26). Although it has decreased from a fiscal 2023 peak, this surplus will allow the state to continue the sound pension contribution practices. Even so, retirement benefit underfunding will remain a bigger challenge for New Jersey than for the vast majority of states, limiting its fiscal flexibility. Federal policy changes will accelerate already rapid expense growth in health care, as in many other states. New Jersey's high wealth and education levels, and its recent trajectory of strong economic performance compared with regional peers, will lend support during a period of disruptive federal policy changes affecting trade and employment.

New Jersey's GO rating is the same as the issuer rating, because of the broad pledge of the state's full faith and credit.

The Aa3 rating on the Garden State Preservation Trust, NJ bonds is based on the state's contractual obligation to transfer a constitutionally dedicated share of statewide sales tax (the first \$98 million, enough to cover debt service) to a trust for debt service, subject to annual appropriation. Despite the technical need for annual appropriation, legal constraints requiring use of this revenue to pay the trust's debt service support an issuer-equivalent rating. Available sales tax collections provide ample coverage of required annual transfers.

The A1 ratings on New Jersey Transportation Trust Fund Authority (TTFA) bonds and most of the state's appropriation debt are a notch below New Jersey's issuer rating because of the need for legislative appropriation. These bonds finance projects essential to core governmental objectives, such as transportation infrastructure, in the case of the TTFA; healthcare facilities, for the New Jersey Health Care Facilities Financing Authority, and various school and other educational buildings, for entities including the New Jersey Educational Facilities Authority. The rationale for the one-notch distinction also applies to the rating on the New Jersey County College Enhancement Bond Program Chapter 12.

The A2 rating on certain appropriation bonds -- including those issued through the New Jersey Sports and Exposition Authority for convention hall and stadium projects and debt issued by the New Jersey Economic Development Authority (EDA) for the Liberty State Park and Wind Port projects -- is consistent with the financed facilities' lower degree of essentiality to core governmental services.

The South Jersey Port Corporation's senior- and subordinate-liens' two-notch distinction (at A2) is consistent with the state's moral obligation commitment to refill a debt service fund (DSRF). The state has a long history of making good on a commitment (in statute and bond resolutions) to consider appropriating funds to replenish the corporation's DSRF to match maximum annual debt service. State appropriations deposited into the subordinate-lien DSRF cannot be transferred to the senior lien DSRF. Nothing requires the legislature to appropriate proportionately to the two liens' DSRFs, but risk of unequal appropriations does not warrant a full-notch rating distinction.

The A1 pledge specific ratings on the New Jersey Municipal Qualified Bond Program and the New Jersey Qualified School Bond Program, one notch below the state's issuer rating, is based on the programs' strong position in the state's debt and spending hierarchy, and program mechanics that include direct payment of aid to the trustee for debt service.

The Baa1 and Baa2 ratings respectively assigned to senior- and subordinate-lien Motor Vehicle Surcharges Revenue bonds issued by the New Jersey Economic Development Authority incorporate the state's credit standing and its multi-year practice of appropriating additional funds to cover debt service. These annual appropriations remove exposure to the bonds' very narrow pledged revenue from surcharges on unsafe driving fines collected by state courts and from DMV fine surcharges for other infractions. The pandemic exacerbated a trend of declines in the surcharges and drove revenue below the amount needed to cover subordinate-lien debt service. Senior surcharge bonds benefit from sufficient debt service coverage and from a debt service reserve fund. For the subordinate-lien bonds, pledged revenue after payment of the senior-lien bonds will remain insufficient without state supplemental payments through the senior bonds' final maturity, in 2027.

The A3 rating on New Jersey's Federal Highway Reimbursement Revenue Notes (or GARVEE bonds) reflects an expectation that debt service coverage by pledged federal highway aid grant revenues will remain strong. The rating encompasses both this strong coverage and credit GARVEE bond challenges, including the possibility that funding could be disrupted or reduced because of the need for periodic program reauthorization.

## RATING OUTLOOK

The stable outlook derives from New Jersey's capacity to manage reduced federal support for social services (primarily Medicaid) and economic dislocations related to tariff increases or other macroeconomic factors, while continuing to provide full annual pension contributions.

#### FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Expected return to structurally balanced financial operations on a sustainable basis
- Legislation or other actions that will effectively mandate full actuarial pension contributions
- Continued leverage ratio decline, combined with improving economic performance compared with the nation

#### FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Pension contribution reductions to less than actuarially indicated sums (by more than 5%) or unfunded retirement benefit liability growth (by more than 15%) driven by benefit enhancements or investment losses
- Expected reliance on non-recurring fiscal measures for an amount equal to 10% of appropriations
- Expected near-term depletion of undesignated fund balance, to a level equal to 5% of revenue, without clear ability to rebuild

#### PROFILE

New Jersey is the 11th-largest state by population in the US, with an estimated 9.5 million residents in 2024. Its economy ranks 10th, based on its \$846.6 billion of GDP in 2024 (current dollars). New Jersey is also the most densely populated state, with average density of 1,292 people per square mile as of 2024, compared with a 50-state median of 108.

The New Jersey Transportation Trust Fund Authority was created under a 1984 state law to finance transportation system improvements. For financial reporting purposes, it is a blended component unit of the state, and it is overseen by members including the Commissioner of the New Jersey Department of Transportation, the state treasurer and five public members appointed by the Governor. Appointments of three of the members require the advice and consent of the state Senate, and two are recommended by legislative officials (the president of the Senate in one case and the General Assembly Speaker in the other). The authority's Program and System bonds account for the largest share of the state's net tax supported debt -about 40%.

The New Jersey Economic Development Authority is a conduit financing entity created under state law. It is authorized to issue and sell bonds and notes as part of its role of assisting government bodies by taking assignments of rentals and leases and making and entering into contracts and leases. Other issuing entities of the state include the New Jersey Health Care Facilities Financing Authority and the New Jersey Sports and Exposition Authority and the South Jersey Port Corporation, which are similarly empowered to issue debt under state law.

#### METHODOLOGY

The principal methodology used in these ratings was US States and Territories published in July 2024 and available at <https://ratings.moodys.com/rmc-documents/425428>. The principal methodology used in the programmatic ratings for New Jersey Qualified School Bond Program and New Jersey Municipal Qualified Bond Program was US State Aid Intercept Programs and Financings published in February 2024 and available at <https://ratings.moodys.com/rmc-documents/415020>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of these methodologies.

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The List of Affected Credit Ratings announced here are all solicited credit ratings. For additional information, please refer to Moody's Policy for Designating and Assigning Unsolicited Credit Ratings available on its website <https://ratings.moodys.com>. Additionally, the List of Affected Credit Ratings includes additional disclosures that vary with regard to some of the ratings. Please click on this link [http://www.moodys.com/viewresearchdoc.aspx?docid=PBM\\_PBM909324080](http://www.moodys.com/viewresearchdoc.aspx?docid=PBM_PBM909324080) for the List of Affected Credit Ratings. This list is an integral part of this Press

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