



TAMPA BAY BANKRUPTCY CENTER, P.A.

PHONE: (813) 200-4133

TOLL FREE: (800) 965-5074

January 14, 2011

## New Jersey Governor Criticized over Bankruptcy Remark

On the same day as the state of New Jersey offered a bond offering, its governor Chris Christie made a remark that rising healthcare costs might ‘bankrupt’ the state. Governor Christie was soundly criticized for his remark which any experts feel was ill-timed.

About 20 minutes after the statement was made in a town hall meeting in Paramus, the New Jersey Economic Development Authority reduced the tax-exempt school bond it was offering by almost half to \$777.5 million and its taxable bond by half to \$123.2 million.

Gary Pollack, head of bond trading at Deutsche bank Private Wealth Management who manages \$6 billion in his portfolios, said Christie is scaring some people with what he said. Mike Pietronico, CEO of Miller Tabak Asset Management in New York, in charge of \$360 million agreed, adding that the market is very sensitive to the word ‘bankrupt’.

<http://tampabankruptcy.pro/blog/>

However the spokesman for Governor Christie, Michael Drewniak, said in an email to Bloomberg that it was unreasonable to link the governor's statement with the reduction in the bond offering. A spokesman from the Treasury Department and the bond offering's main underwriter also denied any link.

According to Governor Christie's postulation, the state of New Jersey will see a 40% rise in healthcare spending over the next 4 years unless its workers pay more for medical insurance coverage. This year alone, New Jersey will spend \$4.3 billion in employee and retiree health insurance.

But it's worth noting that about 30 minutes after the Governor's remarks, an 8-year authority bond sold in April fell in price. The yield rose to 4.17% in a \$400,000 trade at 11:50 a.m. on January 14, about 129 basis points, or 1.29 percentage points, above AAA debt, a BVAL index shows.

On January 10, the security traded at a yield of 3.68 percent, or 92 basis points above the benchmark.

A New Jersey general-obligation bond due in August 2015 traded at an average yield of 2.51% on January 14, or 90 basis points over top-rated four-year debt, according to a BVAL index. The same security had traded at 2.1% a week ago, 57 basis points above the benchmark.

The Governor's office continues to express disagreement that Christie's comments had anything to do with the changes in bond sale.

But Governor Christie's political opponents emphasized that the words do have consequences. Cutting back on the bonds does have an impact on other revenue losses of the state administration.

If you are considering filing for bankruptcy for yourself or your business, call us at (813) 200-4133 for a free consultation.