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TRANSITION 2026

Report of the Fiscal Responsibility and Government Accountability Action Team

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New Jersey families work hard for every dollar they earn and pay the highest property taxes and some of the highest state taxes in the nation. Families are expected to manage their household budgets responsibly. It is only fair that the government does the same. The people of New Jersey deserve a state government they can trust, that is forward-looking, and delivers services efficiently and cost-effectively, no excuses, no exceptions.

Too often, New Jerseyans struggle with inadequate public services, infrastructure in need of improvement, and experience growing frustration with government because they are left in the dark about how their money is spent and how that spending impacts their communities. Key themes derived from the Governor-elect's General Public Survey indicate that respondents believe the current tax system is unfair and unequitable, there is a need for responsible government spending and keeping local governments accountable, and a desire for greater transparency from the State. This lack of transparency weakens public trust and allows inefficiency to go unchecked.

New Jerseyans deserve government officials and lawmakers who prioritize fiscal responsibility and understand that they answer to the people of this state. They deserve an administration that delivers services efficiently and demonstrates its transparency and accountability through easy-to-use systems that allow taxpayers to track where their hard-earned tax dollars are being spent.

The State's systems for public transparency offer significant room for improvement. Without accessible, navigable systems, how can the people of New Jersey monitor our state spending, evaluate the success of state programs, and hold lawmakers accountable? The current options are inadequate: websites that offer only partial, out-of-date, and overly technical information. To solve the problem, we need a "New Jersey Report Card" that breaks down our spending in plain language and assesses the results, not just reporting the dollars spent. State contracts, program grants, and department budgets will be posted online, with plain-language updates on what was delivered. This new standard of accountability will help ensure that taxpayer-funded programs meet their goals and will assist policymakers in Trenton in strengthening these programs, so New Jersey gets the best possible return on its investment.

Our State's current spending practices also offer significant room for improvement. This Transition Action Team believes the biggest opportunities are:

- Reform our state health benefits program, which is too costly for what it provides and which should be reevaluated;

- Take advantage of shared services opportunities between regions/counties/municipalities, which have the potential to save us money through economies of scale; and

- Maximize the effectiveness and cost-efficiency of government services by overhauling our outdated and duplicative information technology systems, by reforming our inefficient and time-consuming process for awarding State contracts, and by ensuring that every government agency implements best practices on an ongoing basis.

Our goals are clear: to ensure that government in New Jersey is a model of efficiency that answers to the people who pay the bills. A commitment to openness will build public trust by opening the books and cutting out waste. It will allow us to redirect funds to higher, more cost-effective priorities. And finally, it will foster a culture of accountability in Trenton, making clear that every dollar is expected to yield results.

The Fiscal Responsibility & Government Accountability Transition Action Team proposes that the Sherrill-Caldwell Administration consider the following recommendations to accomplish these key priorities:

- Creating a New Jersey Report Card
- Reforming the State Health Benefits Program
- Expanding Shared Services

- Boosting Revenue without New Taxes

We understand that these recommendations need to fit into the broader context of all the Action Team recommendations and will have to be prioritized accordingly. We also recognize that these recommendations will need to be considered in the context of a challenging budget landscape particularly with the impact of upcoming federal funding cuts, and where these recommendations are not budget neutral, they may need to be adjusted or prioritized.

Transition Action Team Recommendations

Creating a New Jersey Report Card

Recommendation: Publish a New Jersey Report Card.

New Jersey residents deserve better transparency and a more accountable government from their elected leaders in Trenton. Our existing systems are not up to the task of providing public transparency, holding leaders accountable, and enabling our residents to meaningfully evaluate taxpayer-funded programs and services.

There is an inadequate patchwork of websites and downloadable data that offer only partial, out-of-date, and overly technical financial information that is purported to provide transparency. Too often, the available data and information is siloed within departments and agencies. And it often lacks the necessary metrics, verifiable outcomes, and performance measures that allow residents to quantify results, evaluate achievements, and ultimately determine the return on the investment of their hard-earned tax dollars.

To fix this problem, the Sherrill-Caldwell Administration should create a public-facing online portal that provides easy access to state financial data and performance information in a clear, understandable, organized, and visually appealing format. This online portal should be the backbone of the New Jersey Report Card and should be designed and developed to ensure that residents know what their government is doing and how their money is being spent.

The Sherrill-Caldwell Administration should publish the New Jersey Report Card in stages during the first year of the Administration because of the importance of the information it provides to residents. Key segments of the report card highlighting data and information related to Affordability for All New Jerseyans, A Fair and Prosperous Economy, Children's Education and Well-Being, and Accountability and Fiscal Responsibility should be unveiled within the Administration's first 100 days, with additional areas of emphasis added over time.

The Sherrill-Caldwell Administration also should consider assigning senior staff along with everyday residents to serve as a New Jersey Report Card board of directors to oversee its implementation and ensure it delivers on its overarching goals and objectives. Relying on bureaucrats alone to solve a problem they created will prevent the report card from becoming anything more than the same inadequate patchwork of information that currently exists.

Recommendation: Include an interactive budget and incorporate measures of fiscal health, program performance, and management and governance.

The Sherrill-Caldwell Administration should require that the New Jersey Report Card include an interactive state budget tool: a user-friendly window into New Jersey's multi-billion-dollar annual spending plan. This would allow residents to explore revenues, expenditures, capital planning commitments, public debts, and contractual obligations in a clear, concise manner, and shine a spotlight on how tax dollars are collected and spent on their behalf.

To ensure that the New Jersey Report Card is more than just a collection of line-items in a ledger, the Administration should incorporate measures beyond the interactive budget that allow residents to assess how state spending is linked to program goals, deliverable results, and outcome measures in three primary areas. These three areas should include the State's fiscal health, program performance and service delivery, and the governance and management of state operations.

In terms of fiscal health, residents need to understand how state government is managing its finances, how management of finances has changed over time, and include multi-year revenue and expenditure projections showing the challenges that lie ahead. The Report Card should include common metrics that evaluate budget discipline and structural balance, revenue stability and forecast accuracy, expenditure control and cost drivers, and intergovernmental and federal funding risks.

In addition to allowing residents to evaluate the state's expenditures, the Report Card must also provide insight into program performance and service delivery. Currently, there is a lack of reliable information that allows our residents to answer fundamental questions about what programs and services the State delivered, how well they were delivered, and for whom. To this end, the New Jersey Report Card should include metrics related to outcomes, outputs, service quality, timeliness and access, efficiency and cost-effectiveness, and equity and distribution of critical programs and services.

Additionally, the governance and management of state operations is an area that is difficult for state residents to assess based on existing resources. As part of the report card, the Administration should look to include institutional, process, and control metrics, such as internal control and risk management, transparency and public accountability, procurement and contract management, and interagency coordination and decision-making measures.

Recommendation: Direct state departments to cooperate with reporting requirements and hold entities accountable for outcomes.

The success of the New Jersey Report Card requires a coordinated, government-wide approach and the continued input and participation of many different departments and agencies. Examples in other states suggest that an interactive tool of this size and scope is most likely to prove useful to residents only when the information it provides is creditable, clear, easy to use, and sustainable.

To improve the likelihood of the report card's success, the Sherrill-Caldwell Administration should direct all state departments and agencies to cooperate with the reporting requirements, identify creditable metrics and benchmarks for key programs and services, and take ownership of the outcomes. The directive should make clear that development of the New Jersey Report Card is not a one-off, it requires sustained participation and leadership at all levels of state government and will continue to adapt and evolve based on feedback and the needs of the Administration.

Additionally, the Report Card will be most successful if the Administration uses the information it provides to drive decision making, determining appropriate levels of future appropriations, triggering management reviews and audits, flagging risks for leadership, and supporting corrective action plans. If the information contained in the report card is not used to affect decisions, it will ultimately be ignored.

Reforming the State Health Benefits Program

The State Health Benefits Program (SHBP) is a multibillion-dollar state-run health insurance program facing accelerating cost growth, structural governance failures, and limited capacity for active plan management—placing increasing pressure on member employer groups, public workers, and taxpayers, while fragmented governance and insufficient transparency have constrained the ability of the state and other key stakeholders to respond effectively. The following recommendations present a coordinated reform agenda to realign the SHBP with its fiduciary obligations to protect public employers and employees from unchecked cost shifting, and to ensure long-term sustainability of health benefits for New Jersey's public workforce.

Recommendation: Prioritize program transparency for all stakeholders.

To be accountable to member employer groups, taxpayers, and public employees, the state must actively manage the State Health Benefits Plan (SHBP) in a way that aligns with its fiduciary responsibility to stakeholders by resolving the current asymmetry of information between labor and management so that data can be thoroughly evaluated and verified by all parties as inputs into policy decisions. This also requires transparency into the scoring of all proposals made by both the management and labor representatives of the SHBP governing bodies (i.e., State Health Benefits Commission and the Plan Design Committee).

Transparency should include independently verifiable data, such as source-level claims files, paid and billed amounts, appeals outcomes, site-of-care shifts, carve-outs, specialty care pricing, and NY/PA cross-border provider charges, to identify cost drivers. This includes access to underlying claims data, network pricing methodologies, denial criteria, utilization-management triggers, out-of-network reimbursement logic, third-party administrator (TPA) fee structures, and pharmacy benefit manager (PBM) pass-through assumptions, enabling policymakers to evaluate how TPAs and PBMs classify risk, steer care, and drive costs (see Appendix A for a specified list of recommended minimum data reporting requirements). Independent third-party actuarial services should be required to score all proposals, not only those from management representatives to the governing bodies.

Effective governance requires transparency that supports active plan management. The State Health Benefits Commission needs access to data that allows it to evaluate TPA and PBM decision-making—including medical and pharmacy trend drivers, prior-authorization and denial rates, specialty pharmacy impacts, network adequacy by region, and vendor program outcomes—to quantify policy changes and make data-driven decisions.

Recommendation: Implement best practices in price controls.

Current policy addresses the spiraling costs of health care by shifting the burden onto member employer groups, public employees, and taxpayers—an approach that is both economically and politically untenable. Implementing in-network reference-based pricing (RBP) would generate substantial savings for both workers and public employers, as evidenced by reforms adopted in other states.[1,2] Additional savings for taxpayers could be achieved through the implementation of out-of-network RBP, provided it is coupled with strong protections against balance billing to prevent cost shifting onto employees.

According to analysis by Brown University's Center for Advancing Health Policy Through Research (CAHPR 2025), reference-based pricing with a cap set at 200% of CMS would result in a projected annual savings of $433.3 million for the New Jersey State Health Benefits [3] Program across 61 hospitals statewide.[4] This estimate is limited to state and local government participants in the State Health Benefits Plan; the potential savings would be significantly greater if applied to the entire public sector.

While these reforms may require legislation, they are necessary to protect the interests of public workers and taxpayers, and strong gubernatorial policy leadership is essential to making them achievable.

Recommendation: Address key challenges in SHBP governance.

The current structure of the Plan Design Committee (PDC) and the State Health Benefits Commission (SHBC) is effectively defunct, as neither body can enact reforms to reduce costs for public workers or taxpayers. This governance failure is underscored by the recent $100 million false claims act settlement with Horizon, which revealed serious deficiencies in oversight and accountability within the existing system.[5,6] For more effective governance, the PDC should be merged with the SHBC, in both form and authority, and restructured to include representation from local government and higher education employers.

The reconstituted body should be a 13-member commission with equal representation between labor and management. On the management side, the commission should include: the State Treasurer; the Commissioner of Banking and Insurance; the Chair of the Civil Service Commission; the Commissioner of Health; one representative of local government employers; and one representative of higher education employers. On the labor side, the commission should include: three representatives from the largest public-sector AFL-CIO unions participating in the SHBP (i.e., CWA, AFT, and AFSCME) one non-AFL-CIO representative from the largest police officer's union; one non-AFL-CIO representative from the largest firefighter's union; and one representative from the State Troopers Fraternal Association. The commission should be led by a mutually agreed-upon chair (possibly a licensed arbitrator), the appointment of whom shall be subject to a 30-day expedited arbitration process if the parties are unable to reach agreement. Any commission disputes over substantive decisions should be resolved through a mandatory 15-day binding arbitration process to prevent delay and ensure timely decision-making.

By establishing meaningful oversight and shared responsibility, with fair representation of all stakeholders, reformed governance should be structured to manage the plans in the interest of the public, lowering costs for workers and employers, while safeguarding taxpayer dollars from unchecked vendor abuse and mismanagement.

Recommendation: Restructure plan leadership and management.

The State Health Benefits Program (SHBP) is a $5 billion state-run insurance program, which requires a leadership and execution team commensurate with its scale, complexity, and risk exposure. Effective oversight of the SHBP is essential to prevent overbilling, curb vendor abuse, and ensure taxpayer dollars are spent as intended. Because the State ultimately bears the financial risk as a self-insured program, it must maintain in-house capacity with the skills, authority, and accountability necessary to manage contractors (i.e., TPAs and the PBM), repair existing deficiencies, and execute reforms.

Large government programs such as the SHBP demand strong internal management with high levels of expertise—even when contractors are providing the bulk of the work—to independently analyze data, challenge vendor assumptions, and intervene when performance falls short. Absent this state capacity, contractors operate with limited accountability, allowing for systemic failures (e.g. overbilling, opaque pricing practices, etc.) and misalignment with public policy goals.

To safeguard public funds, the State must employ effective oversight practices through a dedicated management team, with clear authority over contractors, access to the same data used by vendors, and responsibility for enforcing compliance, correcting deficiencies, and implementing cost containment reforms. This internal capacity is a prerequisite for meaningful accountability and for ensuring that the SHBP is managed in the interest of public employees and taxpayers.

Recommendation: Tackle churn and other key cost drivers.

The SHBP faces several interrelated cost pressures that must be addressed to restore financial stability. The most significant drivers include: (1) escalating prescription drug pricing, with approximately 62.7 percent in cost growth; (2) a negative or insufficient Claim Stabilization Reserve (CSR), requiring roughly $200 million in Chapter 86 repayments, plus additional margin; and (3) worsening anti-selection, which increased from 1.75 percent in PY2025 to 3.75 percent in PY2026. This adverse selection is largely driven by employer entry and exit behavior that destabilizes the pooled risk mix.[7]

To contain churn and reduce anti-selection, the State should require a three-year participation commitment for employers entering the SHBP and impose a two-year waiting period for re-entry following exit. Reducing the number of plan options would further limit gaming behavior and help stabilize the risk pool by discouraging selective participation based on short-term cost considerations.[8]

These structural reforms should be paired with the implementation of reference-based pricing (RBP),[9] both in- and out-of-network, with strong protections against balance billing to protect public employees. Allowed amounts should be anchored to nationally published benchmarks, such as Medicare-based reimbursement (CMS) and FAIR Health “Allowed Amount” data, with member cost-sharing aligned to the reference amount. Where applicable, No Surprises Act Qualified Payment Amount (QPA) methodology should be applied to reinforce pricing discipline and improve predictability.

Expanding Shared Services

Efforts to expand shared services to generate cost savings and the efficient administration of local government have been ongoing for more than fifty years. Since the 1970s, New Jersey has promoted efforts to encourage local government units’ participation in shared services or joint meetings, taking numerous legislative and regulatory steps to make it easier for municipalities, counties, and other local government entities to share services. Additionally, policy papers have been published, studies have been released and working groups and commissions have been formed to showcase the potential benefits (and possible drawbacks) of shared services. As a result of these efforts, most municipalities and counties are participating in some form of shared service or joint meeting. Some of these efforts, such as the establishment of joint municipal courts, regional EMS, and consolidated public works agencies, have resulted in meaningful relief for taxpayers and demonstrate the ways in which local governments are actively working to achieve long-term solutions for their communities.

As a result, efforts to continue expanding shared services need not start from square one; there are policy papers, studies, and real-world examples to guide actions that the Sherrill-Caldwell Administration can take to further promote shared services to generate the cost savings and efficiencies that flow from these arrangements.

For purposes of this section, recommendations are focused on shared services among municipalities and counties, which are collectively referred to as “local government units.” This section defines “shared services” as any good or service that is shared among two or more local government units. This section is not focused on municipal consolidation although some recommendations may reference consolidation when describing previous efforts to find cost savings and efficiencies in local government. Additionally, the recommendations do not address municipal-court consolidation; several counties are already undertaking that effort, and we commend them for doing so.

We are aware that school districts are the largest driver of property taxes. The section of the report providing recommendations on boosting revenue without raising taxes proposes regionalizing certain small districts. It is also our understanding that the incoming Administration is currently formulating plans to address ways to slow the rate of cost growth from school districts. We support the incoming Administration’s efforts to address lower costs associated with school districts and administration.

Recommendation: Condition executive-branch controlled funding on a good-faith commitment to shared services.

Since 2020, The Department of Community Affairs (NJDCA) has provided Local Efficiency Achievement Program (LEAP) grants to local government units to advance shared services. LEAP is comprised of three primary components: Challenge Grants, Implementation Grants, and County Shared Services Coordinator Grants.

- Challenge Grants: Allocate funds to the most compelling projects in the counties.
- Implementation Grants: Allocate funds to help cover costs associated with shared services implementation.
- County Shared Services Coordinator Grants: Allocate up to $75,000 to each county for the purpose of hiring a new employee or designating an existing employee (in good standing), to act as a county shared services coordinator.

The number of local government units engaged in some form of shared services has grown since LEAP’s introduction and the number of municipalities that have applied for LEAP grants has increased significantly. However, while this grant program is necessary, it is not sufficient to promote the growth of shared services. Despite the funding that is available to support a transition to shared services, there are still local government units that are not maximizing their use.

To spur local government units to share services, grant opportunities should be combined with funding conditions tied to the good-faith exploration of shared services.

Currently, state law requires the Local Finance Board within DCA to “promulgate rules and regulations establishing performance measures to promote cost savings in the delivery of services by municipal governments.” N.J.S.A. § 52:27D-18.2(a). The law requires municipalities to “submit an annual performance report to the Local Finance Board setting forth an assessment of its performance of local government services.” N.J.S.A. § 52:27D-18.2(c). From that information, the Local Finance Board must develop and publish a “municipal report card, indicating a municipality's performance relative to efficiency standards, and how its efficiency changes over time.” N.J.S.A. § 52:27D-18.2(d).

This statutorily required information can be leveraged to condition discretionary state aid to municipalities on the adoption of measures to increase local government efficiency and shared services. To do so, the Governor can issue an executive order within the first 60 days of her Administration directing NJDCA to determine which municipalities are falling below the efficiency standards and directing each Department and authority that provides discretionary aid to municipalities to condition that funding on municipalities performing at or above the efficiency standards the Local Finance Board developed.

For municipalities that fall below the efficiency standards, they can receive their discretionary state aid upon showing that they have engaged in good-faith efforts to find cost savings and efficiencies by, among other means, taking steps to enter into shared-services agreements with other local government units that are performing at or above the efficiency standards.

Recommendation: Ensure local governments' compliance with data sharing requirements.

To effectively promote and support the use of shared services, it is important to provide local government units data on the cost savings and efficiencies derived from shared services. Providing such information requires data on shared services agreements into which each of the local government units have entered and the money exchanged (i.e., amount received or paid) for the services. Currently, local government units are required to provide this information to NJDCA's Division of Local Government Services (DLGS) pursuant to N.J.S.A § 40A:5-48 and N.J.A.C. § 5:30-3.8. Per the statute, the information is to be made public and presented as "data that can be downloaded by the public. . . for comparative purposes." N.J.S.A § 40A:5-48(b).

However, we are aware that some local government units are circumventing this requirement by not calling all their agreements to share services "shared-service agreements." This workaround has allowed some local government units to limit the amount of information they are sharing with NJDCA thereby depriving the Department, and the public, of data necessary to conduct full analyses of the cost-savings and efficiencies associated with shared-service agreements.

Neither the statute nor its regulations have an enforcement mechanism to compel compliance with the reporting requirements. As a result, the law leaves NJDCA without tools to ensure that local government units provide the required information and to ensure that the public has access to it.

To improve data collection, NJDCA should revise its relevant regulations to include a provision that will support compliance with the data-providing requirement. To strengthen the legal underpinnings of the revised regulation, the Sherrill-Caldwell Administration should support legislation that authorizes NJDCA to enforce the requirements through means that it deems necessary to support compliance.

The regulations should consider allowing DLGS to audit all agreements that a local government unit has with other such units to determine whether a local government unit is accurately reporting the shared-services agreements into which it has entered.

Legislation should be enacted within the first year of the Administration, and the relevant regulations should be adopted within six months thereafter.

Recommendation: Reinvigorate and empower the Local Unit Alignment, Reorganization, and Consolidation Commission.

Local Unit Alignment, Reorganization and Consolidation Commission (LUARCC or Commission) was established on March 15, 2007, to study and report on the structure and functions of county and municipal government and to recommend legislative changes that would encourage the more efficient operation of local government. N.J.S.A. § 52:27D-505(a)(1). The LUARCC's enabling statute explains that these changes may include the structural and administrative streamlining of county and municipal government functions, including but not limited to, the transfer of functions from one level of government to another and the use or establishment of regional service delivery entities. N.J.S.A. § 52:27D-505(a)(2). The law requires the LUARCC to "develop criteria to serve as the basis for recommending . . . the sharing of services between municipalities or between municipalities and other public entities." N.J.S.A. § 52:27D-505(b). As such, there is already a body tasked with monitoring and recommending shared services throughout the states.

Unfortunately, there are two significant issues with the LUARCC. First, according to a review of the LUARCC's webpage, it has not held a meeting since 2010. Second, current law places significant procedural hurdles for the LUARCC's shared-services recommendations to overcome in order to be implemented: The LUARCC must submit the shared-services proposal to the Governor and the Legislature, which goes into effect 30 days after the date of transmission to the Legislature; and the proposal must then be voted on by the citizens of the affected municipalities at the next general election, only taking effect if the majority of voters in each affected municipality support it. N.J.S.A. § 52:27D-507(7)(b)–(c); -508(8)(a).

Given that the statutory authority and the infrastructure for the Executive Branch to affirmatively promote shared-services agreements exist with the LUARCC, the Sherrill-Caldwell Administration should appoint members to the Commission as soon as practicable. The statue provides that the LUARCC consists of nine voting members, five of whom are Executive Branch appointees (the remaining four are legislative appointees):

- The Commissioner of Community Affairs (or their designee);
- The State Treasurer (or their designee); and
- Three members of the public. N.J.S.A. § 52:27D-503(3)(b).

The Administration should work with the Legislature to have its leaders provide their appointees so that the LUARCC can be fully reconstituted and begin their work. The Administration should also ensure that the LUARCC is adequately funded and staffed so that it can effectively carry out its statutory obligations.

Additionally, the Sherrill-Caldwell Administration should submit legislation amending the LUARCC's enabling statute to remove the requirement that shared-services proposals be subject to voters' approval. Instead, the LUARCC's shared services proposal should be subject to the approval of each municipality's governing bodies and adopted upon the approval of the majority of the members of each municipality's governing bodies.

Both efforts should occur within the first 100 days of the Administration.

Recommendation: Determine the effectiveness of cooperative pricing systems and their uptake by local government units.

State law permits local government units to participate in a cooperative pricing system or a joint purchasing system for the provision and performance of goods and services (hereinafter "collective purchasing systems"). N.J.S.A. § 40A:11-10–11-11. The law also permits local government units to purchase goods and services through contracts that the Department of Treasury's Division of Purchase and Property ("DPP") entered into on behalf of the State. N.J.S.A. § 40A:11-12. Pursuant to N.J.S.A. § 40A:11-11, DLGS must approve all cooperative purchasing systems before they can operate. Participation in the State's Cooperative Purchasing Program does not require approval from DLGS. N.J.A.C. § 5:34-7.29(b).

Allowing local government units to purchase goods and services collectively or with the State offers savings by using contracts that provide for volume-driven cost reductions and by having a Lead Entity (a local government unit in the cooperative pricing or joint purchasing systems and the State in the Cooperative Purchasing Program) managing costs associated with bidding.

While many local government units participate in collective purchasing systems and DLGS and DPP have information on which local government units are participating in those systems, there does not appear to be a requirement that either entity analyze: (1) the purchasing trends within collective contracting services (i.e., which goods and services are the most and least purchased and what is/are the mode purchase(s)); (2) which local government units are not participating such systems; and (3) the cost savings associated with participating in collective purchasing systems.

Effectively, DLGS and DPP have information on local government units' participation in collective purchasing systems, but it appears they are not using that information to generate analyses that could support further adoption of collective purchasing.

To make use of the data DLGS and DPP are capturing, within the first 100 days, the Sherrill-Caldwell Administration should direct both divisions to analyze the data they have on collective purchasing system participation to provide information on the utilization of those systems. In tandem with the reconstitution of the LUARCC, subsequent analyses of collection purchasing system participation can be made the Commission's responsibility.

Boosting Revenues Without New Taxes

The Sherrill-Caldwell Administration will inherit unenviable fiscal circumstances upon inauguration: ever-increasing budget demands, a substantial structural operating deficit, looming federal funding cuts, a rapidly depleting General Fund surplus, a Rainy-Day Fund with a zero balance, and New Jersey residents weary from year-after-year of tax and fee increases. To meet these challenges, the Action Team submits the following recommendations for boosting revenues and reducing expenses in a responsible manner, without raising new taxes. In our view, prudently managing taxpayer dollars will require hard choices and outside-the-box thinking to deliver the results that New Jersey residents deserve.

Recommendation: Implement a cost-cutting initiative across state government to reinvent government, improve services, and create long-term savings.

The Sherrill-Caldwell Administration should implement a major Reinventing Government Initiative as a cross-cutting program to champion improvements and efficiencies at all layers of state government, with the overall goal of delivering taxpayer savings to residents. The initiative should be led by a Reinventing Government Team that would report to the Chief Operating Officer (COO) in the Governor's Office, incorporate ongoing private and nonprofit expertise, and serve as a clearing house, point of contact, and champion for ideas to improve government.

As part of this initiative, the Reinventing Government Team should take steps to reform the State's information technology (IT) and procurement systems by empowering the Chief Technology Officer to assess the balkanization of state technology, standardize systems, and use advances in Artificial Intelligence and other technologies to drive savings that will improve the state budget. Reform of the State's procurement system is vital to cut process length, increase flexibility, and improve purchasing efficiency. One potential starting point involves consolidating social service IT into a single point of entry to ensure that the State maximizes enrollment in Medicaid, SNAP, and other federal programs. Cross-referencing databases from multiple agencies also would create opportunities to assist the State in maximizing its count in the critical 2030 Census. An accurate count leads to fairer distribution of federal funding to states, fairer district lines that determine state and congressional districts, fairer representation, and smarter decision-making.

The team also should be tasked with improving the State's money management by undertaking regular assessment of debt refinancing options and reassessing state management of fund balances to ensure maximization of earnings on those balances, exploring innovative private-public partnerships, and engaging outside expertise as needed.

A specific focus of the initiative should be to cut through historical roadblocks and bureaucratic inertia to proactively establish a pipeline of creative ideas, innovative approaches, and proposed transactions. This pipeline would be focused on improving the quality of government services, raising revenue, and reducing expenses in a responsible, collaborative manner.

The Sherrill-Caldwell Administration should consider this effort as an ongoing process that would feed ideas and recommendations to the Governor, her senior leadership team, and the Department of the Treasury for incorporation into a coordinated budget planning process. With our state's nearly $60 billion budget, a coordinated planning process is necessary to achieve the Governor's current priorities while also preparing for the future.

Recommendation: Unlock value derived from the State's existing portfolio of underutilized real estate and intangible assets.

New Jersey operates under an arcane system in which individual departments, rather than a single entity or office, own valuable assets including public buildings and real estate. There has never been a truly comprehensive analysis of the overall State's asset holdings, which have been acquired incrementally since the Revolutionary War without any overall plan or investment motive.

Past efforts to optimize asset value should be expanded and accelerated by the Sherrill-Caldwell Administration to identify short- and longer-term opportunities for realizing financial benefits in appropriate situations. This expansion also has been recommended by the Lowering Housing Costs and Expanding Homeownership Action Team and the Transportation and Infrastructure Innovation Action Team and could be accomplished by establishing a governmental task force, either a single office in the Treasury Department or a lead Reinventing Government team, with expertise and responsibility for optimizing asset value. This task force would complete a full-scale inventory of real estate, rights of way, and other tangible and intangible assets owned by the State, with the goal of converting under-utilized assets to needed uses such as affordable housing or energy facilities and selling unneeded assets, averting ongoing maintenance costs.

The Administration should consider obvious potential opportunities for conversion; for example, repurposing or disposing of long-term vacant or underutilized facilities such as prisons, developmental centers, armories, and state-owned office buildings, as well as leased properties. Rationalizing and consolidating the office footprint, for example, could generate cost savings, free up properties to sell or lease to third parties, and spur economic development in currently disadvantaged areas such as downtown Trenton and Newark where the State controls significant quantities of land and buildings that are otherwise exempt from property taxes. The diverse portfolio of state-owned real estate in practically every county and municipality presents a variety of potential opportunities to generate revenue and advance the Governor's policy objectives, including energy generation, business incubation, and affordable housing, without raising taxes.

Recommendation: Explore innovative options to fund major infrastructure projects with least cost to taxpayers.

The Sherrill-Caldwell Administration should explore innovative options to meet major infrastructure needs, including finding affordable ways to expand electricity production through the construction of new nuclear, solar and/or natural gas facilities without saddling ratepayers with paying upfront for construction costs.

One option is to explore innovative funding opportunities under which the State could potentially take a direct cash payment (or future revenue share) for providing turnkey site access, coordinating permitting, and facilitating low-cost financing for large-scale private investment in revenue-generating infrastructure projects on state-controlled properties.

Recommendation: Explore all possibilities for improving the funded status of State-administered retirement system.

State and local government pension systems cost taxpayers almost $10 billion a year, yet both are under the 80% funding "green line" considered healthy by the federal government for private pension systems.

Significant savings could be achieved by getting state and local pension contributions into the government pension systems earlier in the year and by encouraging asset-in-kind contributions and investments. The State saved billions of dollars by requiring quarterly pension payments in 2016 instead of a single payment at the end of the fiscal year. Making the State's quarterly contributions to the pension systems earlier than required by law, such as on the first day of each calendar quarter instead of the last, would improve the funded status of the pension systems.

Similarly, the Sherrill-Caldwell Administration could consider requiring county and municipal governments and agencies to make quarterly pension payments. Payments scheduled for June 1, Sept. 1, Dec. 1, and March 1, for example, would be made one month after quarterly property taxes are paid —rather than once a year on April 1. This would increase Local PERS and Local PFRS investment earnings and reduce the cost to property taxpayers as the ARC is adjusted downward over time.

The Sherrill-Caldwell Administration also should consider legislation to expand asset-in-kind investment by state and local pension systems, such as in infrastructure projects, to lower taxpayer-funded pension contributions from specific counties or municipalities.

Additionally, the Administration should consider adding toll lanes on interstate highways like the Maryland and Virginia projects that added toll lanes using dynamic pricing models to expand capacity and raise revenue. These projects could be owned by the pension system, by the State, or by the New Jersey Turnpike Authority, which would manage the toll collections.

Recommendation: Consider new practices to lower local property taxes.

The Sherrill-Caldwell Administration should consider new strategies to lower property taxes, including creating a statewide program to freeze or cut utility costs for counties, municipalities and school districts by installing community solar, and encouraging or mandating regionalization of small school districts. This would involve the creation of a state-financed program to install community solar on school, county, and municipal buildings. By doing so, the state could reduce electricity costs for property taxpayers while expanding energy self-sufficiency, hooking up neighborhoods to the 20-megawatt limit that does not require PJM Interconnection approval, in accordance with legislation enacted in January 2025.

Additionally, school districts with less than 500 students spend an average of 17% more per student than districts with over 1,000 students and cannot provide the same diversity of educational programs that larger districts provide. The Sherrill-Caldwell Administration should consider setting a timetable for small districts that are unable to provide a “thorough and efficient” education to their students at a reasonable cost to merge with other districts with which they already share a high school, preferably creating K-12 districts.

Recommendation: Ensure efficient collection of tax revenues.

The Sherrill-Caldwell Administration should consider the cost-effectiveness of increasing tax enforcement capacity at the Division of Taxation in the Department of the Treasury, including the pros and cons of tying an announcement of increased enforcement efforts to a tax amnesty program. One option is to announce a deadline, such as March 15, for those owing back taxes to make payments or risk paying increased interest and penalties after enforcement options kick in.

This is a limited option. Doing a full, publicly advertised tax amnesty like the 2018-19, 2009, 2002 and 1996 initiatives would generate more revenue: Those amnesties netted $244 million-plus on much smaller revenue bases and followed six to nine years after previous state tax amnesty programs; we are currently seven years after the Murphy amnesty of 2018-2019.

If a large-scale public tax amnesty program is implemented, the Administration should consider dedicating tax amnesty revenue to pay for a one-time social good or capital improvement that is not part of the base budget.

Recommendation: Explore options for fairly sharing revenue with other states.

The State should explore all options to ensure that New Jersey receives its fair share of revenue and ensures that its residents are not taxed by other states disproportionately to the taxes New Jersey imposes.

The increase in remote work is a good argument for revisiting the way New York State and City tax New Jerseyans who work for New York City-based companies but work full-time or almost full-time in New Jersey. The Sherrill-Caldwell Administration should explore working with both New York and Connecticut on this issue.

In addition, New York’s congestion pricing tax should include a share for New Jersey Transit, PATH, and other transit agencies that reduce congestion in Lower Manhattan by reducing auto traffic. This issue could be included in high-level discussions on the Port Authority’s bi-state capital plans.

The State also should conduct an analysis of how New Jersey taxes out-of-staters who use New Jersey services compared to taxes by other states.

APPENDIX A

At a minimum, the claims experience data should include:[10]

1. Medical loss ratio reports;
2. Group structure census report, including age, gender, and member identification number or unique patient identifier;
3. Medical claims summary report by classification;
4. Medical high-level detailed claims report by classification, including member identification number or unique patient identifier, large medical claim data for anyone with claims in excess of $50,000 indicating if an employee or dependent, patient age and gender, diagnosis and prognosis, and all case management notes or information;
5. Medical executive health summary;
6. Top 20 diagnoses by amount paid;
7. Top 20 diagnosis codes ranked by health care facility or institution and by amount paid;
8. Top 20 diagnosis codes ranked by medical professional and by amount paid;
9. Utilization by major disease category;
10. Utilization by place of service with type of service;
11. Aggregate specific report;
12. Provider report with tax identification numbers;
13. Network utilization report;
14. Prescription claims report, including:
    a. Member identification number or unique patient identifier;
    b. National drug code of the drug or medicine dispensed;
    c. The number of days' supply dispensed;
    d. Metric decimal quantity dispensed;
    e. Final ingredient cost on the claim excluding sales tax and dispensing fee;
    f. Dispensing fees added to the ingredient cost prior to member copayment;
    g. Amount paid by patient for claims which includes copay and deductible;

h. Date prescription was filled at the pharmacy;

i. Type of pharmacy where the4 prescription was filled, whether retail, mail, long-term care, Veterans Administration, or specialty pharmacy;

j. If the prescription was for a compound product; and

k. If the prescription was formulary or non-formulary;

15. Prescription loss ratio reports;

16. Top 50 drugs or medicines that require a doctor's prescription by total number dispensed;

17. Top 50 drugs or medicines that require a doctor's prescription by total dollars paid;

18. Number and type of ongoing maintenance prescriptions separately by mail order and by retail;

19. Prescription claims experience;

20. Prescription utilization summary;

21. Prescription executive summary report;

22. Prescription trend performance summary for each plan design;

23. Prescription key performance indicator report;

24. Prescription utilizer summary by cost;

25. Prescription utilization summary by population; and

26. Prescription quarterly rebate report.

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[10] This list was adapted from Senate Bill No. 3029, introduced September 22, 2022.