

SENATE BILL NO. 2026

To the Senate:

Pursuant to Article V, Section I, Paragraph 15 of the New Jersey Constitution, I am appending to Senate Bill No. 2026, at the time of my signing it, my statement of items, or parts thereof, to which I object so that each item, or part thereof, so objected to shall not take effect.

I am pleased to have reached a comprehensive deal with my partners in the Legislature concerning the State's spending plan for Fiscal Year 2026. After many months of negotiations, we have crafted a budget that supports the State's spending needs for the fiscal year. With this budget, my final as Governor of the State of New Jersey, we have shown that it is possible to construct a responsible spending plan that provides record levels of direct and indirect property tax relief, delivers a full pension payment, fully funds public schools, provides considerable investments in our communities and economy, and maintains a robust surplus that cements New Jersey's path to long-term fiscal stability.

I am making several changes to the bill before me to restore consistency with my original budget recommendations and with the comprehensive deal struck with my legislative partners concerning the State's spending plan for Fiscal Year 2026. Accordingly, I am appending to Senate Bill No. 2026, at the time of my signing it, this statement of items, or parts thereof, to which I object and which shall not take effect.

[seal]

Respectfully,  
/s/ Philip D. Murphy  
Governor

Attest:

/s/ Kate E. McDonnell  
Chief Counsel to the Governor

STATE OF NEW JERSEY  
EXECUTIVE DEPARTMENT

Page

**34 DEPARTMENT OF EDUCATION**

**30 Educational, Cultural, and Intellectual Development**

**34 Educational Support Services**

**DIRECT STATE SERVICES**

"32-5061 Recruitment, Preparation, Certification and Educator Evaluation \$6,550,000."  
This item is reduced to \$6,050,000.

"Total Direct State Services Appropriation, Educational Support Services \$84,388,000."  
This item is reduced to \$83,888,000.

**Direct State Services:**

83 " 32 School Supervisor Mentorship Pilot Program (\$500,000)."  
This item is deleted in its entirety.

"Department of Education, Total State Appropriation \$21,576,707,000."  
This item is reduced to \$21,576,207,000.

**46 DEPARTMENT OF HEALTH**

**20 Physical and Mental Health**

**22 Health Planning and Evaluation**

**GRANTS-IN-AID**

"07-4270 Health Care Systems Analysis \$629,119,000."  
This item is reduced to \$627,119,000.

"Total Grants-In-Aid Appropriation, Health Planning and Evaluation \$629,119,000."  
This item is reduced to \$627,119,000.

**Grants-In-Aid:**

120 " 07 Health Care Subsidy Fund Payments (\$39,940,000)."  
This item is reduced to \$37,940,000.

"Department of Health, Total State Appropriation \$1,499,519,000."  
This item is reduced to \$1,497,519,000.

**54 DEPARTMENT OF HUMAN SERVICES**

**20 Physical and Mental Health**

**24 Special Health Services**

**7540 Division of Medical Assistance and Health Services**

**GRANTS-IN-AID**

**Grants-In-Aid:**

153 "Notwithstanding the provisions of N.J.A.C.8:85-1.1 et seq. or any other law or regulation to the contrary, and subject to any required federal approval, the amounts hereinabove appropriated within the General Medical Services program classification are subject to the following conditions: (1) Class I (private), Class II (county), and Class III (special care) nursing facilities being paid on a fee-for-service basis shall be reimbursed at a per diem rate no less than the rate received on June 30, 2025, minus the first provider tax add-on and any performance add-on amounts, subject to the condition that Class III (special care) facilities shall be reimbursed the greater of this rate or \$450 per diem, and that Class III (special care) nursing facilities licensed pursuant to a Certificate of Need to operate a traumatic brain injury unit as of July 1, 2023, shall be reimbursed the greater of this rate or at a base per diem reimbursement rate that is \$400 above the special care nursing facility's base per diem reimbursement rate as of June 30, 2022 and that Class III (special care) nursing facilities licensed pursuant to a Certificate of Need to operate a neurologically impaired young adult unit as of July 1, 2024 shall be reimbursed, at a minimum, the greater of the special care nursing facility's FY 2024 base per diem rate or \$853.50 per diem; (2) nursing facilities that are being paid by a Managed Care Organization (MCO) for custodial care through a provider contract that includes a negotiated rate shall receive that negotiated rate; (3) any Class I and Class III nursing facility that is being paid by an MCO for custodial care through a provider contract but has not yet negotiated a rate shall receive the equivalent fee-for-service per diem reimbursement rate as it received on June 30, 2025, minus the first provider tax add-on and any performance add-on amounts, and any Class II nursing facility that is being paid by an MCO for custodial care through a provider contract but has not yet negotiated a rate shall receive the equivalent fee-for-service per diem reimbursement rate as it received on June 30, 2025, minus any performance add-on amounts, had it been a Class I nursing facility; (4) monies designated pursuant to subsection c. of section 6 of P.L.2003, c.105 (C.26:2H-97) for distribution to nursing facilities, less the portion of those funds to be paid as pass-through payments in accordance with paragraph (1) of subsection d. of section 6 of P.L.2003, c.105 (C.26:2H-97) and less the actual amounts expended during fiscal year 2022 on performance add-ons and expenditures to establish a minimum per diem of \$188.35, shall be combined with amounts hereinabove appropriated for the General Medical Services program classification for the purpose of calculating NJ FamilyCare reimbursements for nursing facilities; (5) for the purposes of this paragraph, a nursing facility's per diem reimbursement rate or negotiated rate shall not include, if the nursing facility is eligible for reimbursement, the difference between the full calculated provider tax add-on and the quality-of-care portion of the provider tax add-on, which difference shall be payable as an allowable cost pursuant to subsection d. of section 6 of P.L.2003, c.105 (C.26:2H-97); (6) the Director of the Division of Taxation in the Department of the Treasury, in consultation with the Commissioner of the Department of Human Services, shall ensure that the full statutorily authorized

STATE OF NEW JERSEY  
EXECUTIVE DEPARTMENT

Page

amount set forth in section 5 of P.L.2003, c.105 (C.26:2H-96) is collected and notwithstanding paragraph (1) of subsection d. of section 6 of P.L.2003, c.105 (C.26:2H-97), the provider tax add-on payable as an allowable cost shall be determined by the Commissioner of the Department of Human Services and shall be applied to both MCO and fee-for-service per diem reimbursement rates effective July 1, 2025 through June 30, 2026; (7) each Class I, Class II, and Class III nursing facility that has, no later than the deadline established by the Commissioner of Human Services, submitted to the Department of Human Services (DHS) the DHS Fiscal Year 2026 CoreQ Long-Stay Survey Sample Size Calculation Grid with affirmative answers, as defined by the department, CoreQ vendor intent, and completion of the CoreQ Long-Stay Survey sample size calculation and, if eligible for CoreQ, no later than the deadline established by the Commissioner of Human Services, submitted demographics to the CoreQ vendor to initiate the CoreQ survey process, and, in(( two of)) the(( three)) most recently completed calendar years, has not been included on the Centers for Medicare and Medicaid Services (CMS) Special Focus Facility Lists A, C or D at least once, or been cited by the Department of Health for two or more Level G or higher federal deficiencies or similar equivalent licensing violations, or received an overall one-star rating by CMS(( for nine or more of the prior twelve quarters)) (a) shall receive a performance add-on of \$3.00 for each of the following CMS nursing home long stay quality measures where the nursing facility has not failed to report data for any of the reporting periods Q4 2023, Q1 2024, Q2 2024 and Q3 2024, and the simple average of the quarters, as calculated by the department with available data, is at or below the lower of the New Jersey or national average, as calculated by CMS, for the percentage of long-stay residents who are losing too much weight and high risk residents with a pressure ulcer, (b) shall receive a performance add-on of \$3.00 for the following CMS nursing home long stay quality measure where the nursing facility has not failed to report data for any of the reporting periods Q3 2023, Q4 2023, Q1 2024 and Q2 2024, and the simple average of the quarters, as calculated by the department with available data, is at or below the lower of the New Jersey or national average, as calculated by CMS, for the number of hospitalizations per 1,000 long-stay resident days, (c) shall receive a performance add-on of \$3.00 if the nursing facility has been deemed eligible to participate in the CoreQ survey process as determined by the department and received a composite score of 85 percent or greater, as calculated by the DHS vendor, on the CoreQ Resident and Family Experience Survey for the fiscal year 2026 survey period, (d) shall receive a performance add-on of \$4.50 for the following CMS staff measure where the nursing facility has not failed to report data for any of the reporting periods Q4 2023, Q1 2024, Q2 2024 and Q3 2024 and the simple average of the quarters, as calculated by the department with the available data, is at or below 30 percent, as calculated by CMS, for the percentage of total nursing staff that are no longer employed at the facility, (e) shall receive a performance add-on of \$4.50 for the following CMS staff measure where the nursing facility has not failed to report data for any of the reporting periods Q4 2023, Q1 2024, Q2 2024 and Q3 2024 and the simple average of the quarters, as calculated by the department with the available data, is at or above the New Jersey average and below 4.1 hours per resident day, as calculated by CMS, for the total nurse staffing hours adjusted per resident day, (f) shall receive a performance add-on of \$6.75 for the following CMS staff measure where the nursing facility has not failed to report data for any of the reporting periods Q4 2023, Q1 2024, Q2 2024 and Q3 2024 and the simple average of the quarters, as calculated by the department with the available data, is at or above 4.1 hours per resident day, as calculated by CMS, for the total nurse staffing hours adjusted per resident day, and (g) shall receive a performance add-on of \$1.25 for the following CMS staff measures where the nursing facility has not failed to report any data for any of the reporting periods Q4 2022, Q1 2023, Q2 2023, Q3 2023, Q4 2023, Q1 2024, Q2 2024 and Q3 2024 and the simple average of Q4 2023, Q1 2024, Q2 2024 and Q3 2024, as calculated by the department using available data, is equal to or greater than 100.5 percent of the simple average of Q4 2022, Q1 2023, Q2 2023, and Q3 2023, as calculated by the department using available data, and is at or above 3.6 hours per resident day and below 4.1 hours per resident day, as calculated by CMS, for total nurse staffing hours adjusted per resident day; (8) each nursing facility shall be eligible to receive a per diem adjustment that shall be calculated based upon an additional \$3,600,000 in State and \$3,600,000 in federal appropriations, except that if the department promulgates regulations implementing a new rate setting methodology in the current fiscal year, nursing facilities shall be reimbursed in accordance with that rate setting methodology, plus the performance add-ons defined above, subject to the approval of the Director of the Division of Budget and Accounting; and (9) within 30 days of setting nursing facility Medicaid reimbursement rates based upon Medicaid cost reports submitted by nursing homes, the Commissioner of Human Services shall report to the Legislature on the differential between the average per diem nursing home Medicaid rate and the average per diem cost of providing nursing home care to Medicaid beneficiaries."

The language within double parentheses is deleted.

"Total Appropriation, All State Funds  
This item is reduced to \$58,779,619,000.

\$58,782,119,000."

STATE OF NEW JERSEY  
EXECUTIVE DEPARTMENT

---

Page

83 34 DEPARTMENT OF EDUCATION

The appropriation of \$500,000 is eliminated for School Supervisor Mentorship Pilot Program because it is duplicative of amounts appropriated in separate legislation for the same purpose and to maintain consistency with the comprehensive budget deal struck between the Governor and Legislature.

120 46 DEPARTMENT OF HEALTH

The appropriation of \$39,940,000 is reduced to \$37,940,000 for Health Care Subsidy Fund Payments to maintain consistency with the comprehensive budget deal struck between the Governor and Legislature.

153 54 DEPARTMENT OF HUMAN SERVICES

This language is partially deleted to restore consistency with the intent of the Governor's original budget recommendation and to avoid new, unbudgeted costs that would come with expanding this program to additional facilities. As the name suggests, the Quality Incentive Payment Program (QIPP) is intended only to reward high performing nursing facilities that achieve specific quality and performance goals and to exclude from consideration facilities which are cited or penalized for deficiencies.

Respectfully,

[seal]

/s/ Philip D. Murphy  
Governor

Attest:

/s/ Kate E. McDonnell  
Chief Counsel to the Governor