LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

ASSEMBLY, No. 4428

STATE OF NEW JERSEY
221st LEGISLATURE

DATED: DECEMBER 26, 2025

SUMMARY

Synopsis:	Updates definition of veteran to include discharged LGBTQ veteran; requires DVA develop review process for such veterans.
Type of Impact:	Potential annual State and local government expenditure increase; potential annual State and local government revenue decrease.
Agencies Affected:	Division of Pensions and Benefits in the Department of the Treasury; certain local governments.

Office of Legislative Services Estimate

Fiscal Impact	Annual
Potential State Expenditure Increase	Indeterminate
Potential State Revenue Decrease	Indeterminate
Potential Local Expenditure Increase	Indeterminate
Potential Local Revenue Decrease	Indeterminate

- The Office of Legislative Services (OLS) finds that updating the statutory definition of veteran to include discharged LGBTQ veterans may result in indeterminate annual State and local government expenditure increases to pay increased retirement allowances to members of certain State-administered retirement systems, or permit a public employee to qualify for an increased retirement allowance through participation in a certain State-administered retirement system.

- The OLS concludes that the bill may also reduce State and local revenues by an indeterminate annual amount by lowering or eliminating the entry fee collected by a State park or the access fee collected by certain municipalities to access certain land and water resources, or by increasing the number of individuals who qualify for the annual $250 veterans property tax deduction, the 100 percent disabled veteran property tax exemption, or other State programs designed to provide property tax or rent relief to certain New Jersey residents.

- In addition, State expenditures may increase by an indeterminate amount if current department personnel or fiscal resources are insufficient to establish the review process and eligibility form required under the bill's provisions.

BILL DESCRIPTION

This bill updates the definition of veteran in various statutes to include discharged LGBTQ veterans. This bill also requires the Department of Veterans Affairs to develop a review process for discharged LGBTQ veterans concerning lost benefits.

Under the bill, "Discharged LGBTQ veteran" means a veteran who was discharged less than honorably from military or naval service due to their sexual orientation or gender identity or expression, or statements, consensual sexual conduct, or consensual acts relating to sexual orientation or gender identity or expression, or the disclosure of such statements, conduct, or acts that were prohibited by the Armed Forces of the United States at the time of discharge.

The updated definition, along with the addition of a department review process for discharged LGBTQ veterans, will restore State benefits for those veterans.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS finds that updating the statutory definition of veteran to include discharged LGBTQ veterans may result in an increased annual retirement allowance or an earlier retirement, and an increase in the number of years a retirement allowance is paid, for a member of the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund who qualifies as a "discharged LGBTQ veteran" under the criteria and review process established by the Department of Veterans Affairs. Under this scenario, the State and local governments would experience a corresponding potential annual indeterminate expenditure increase.

By law, a member of the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund who is a qualified military veteran and meets certain criteria may retire and receive the greater of an annual veteran retirement allowance or an annual service retirement allowance. An annual veteran retirement allowance provides a benefit of 54.5 percent of the highest 12 consecutive months of pensionable salary at age 55 with 25 or more years of service credit in the retirement system or age 60 with 20 or more years of service credit in the retirement system. The systems also grant a minimum annual veteran retirement allowance of 63.6 percent of the highest 12 consecutive months of pensionable salary at age 55 to a veteran who has at least 35 years of service credit.

An annual service retirement allowance benefit is calculated using the average of a member's highest three years or highest five years of pensionable salary multiplied by the number of years of service credit over 55 or 60, depending on a member's enrollment date. The benefit becomes available at age 60, 62, or 65 depending on a member's enrollment date.

For comparison, a member who becomes eligible for a service retirement allowance at age 60 with 20 years of service credit is eligible for a benefit of 36.4 percent of the average of a member's highest three years of pensionable salary.

The updated definition may also result in an increased annual retirement allowance, an earlier retirement, and an increase in the number of years a retirement allowance is paid for a law enforcement officer or firefighter who qualifies as a "discharged LGBTQ veteran" under the criteria and review process established by the Department of Veterans Affairs and subsequently becomes eligible to enroll in the Police and Firemen's Retirement System instead of the Public Employees' Retirement System. Under this scenario, the State and local governments would experience a corresponding potential annual indeterminate expenditure increase.

By law, a law enforcement officer or firefighter may not be older than age 35 to qualify for enrollment in the Police and Firemen's Retirement System. Nonetheless, a qualifying veteran may use certain periods of military service to "reduce" the veteran's age and qualify for entry.

Under the Police and Firemen's Retirement System, the minimum annual service retirement allowance benefit is calculated using the last 12 months or the average of a member's highest three years of pensionable salary, deemed final compensation, multiplied by the number of years of service credit and a factor of two percent, depending on a member's enrollment date. The benefit becomes available at age 55. The system also provides a service retirement allowance of 50 percent of final compensation to members who meet certain criteria and a special retirement allowance of 65 percent of final compensation to members who meet other criteria.

For comparison, a member who becomes eligible for a service retirement allowance at age 55 with 20 years of service credit is eligible to receive a benefit of 50 percent of final compensation if the member retires before May 1, 2026, or 40 percent of final compensation on or after May 1, 2026.

The OLS also anticipates that the updated definition may reduce State and local revenues by lowering or eliminating the entry fee collected by a State park or the access fee collected by certain municipalities to access certain land and water resources.

The updated definition may reduce State and local revenues by permitting a "discharged LGBTQ veteran" to qualify for the annual $250 veterans property tax deduction, the 100 percent disabled veteran property tax exemption, or other State programs designed to provide property tax or rent relief to certain New Jersey residents.

The OLS finds that the department may experience an indeterminate expenditure increase if current personnel or fiscal resources are insufficient to establish the review process and eligibility form required under the bill's provisions.

The OLS does not have the information to determine the number of individuals residing in New Jersey who will qualify as a discharged LGBTQ veteran under the criteria and review process established by the department, but notes that the number is likely small as previous research estimated the national number of impacted veterans at 100,000 from the start of World War II until the 2011 repeal of the military's 1993 "Don't Ask, Don't Tell" policy, and a recent United States Department of Defense class-action settlement places the national number of impacted veterans at over 35,000 from the 1980s until 2011. Transgender veterans continued to be banned and discharged from service during various periods after 2011 and continue to be banned and discharged from service under the polices of the current United States administration.

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This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).