

LEGISLATIVE FISCAL ESTIMATE

ASSEMBLY, No. 5330

STATE OF NEW JERSEY

222nd LEGISLATURE

DATED: JULY 2, 2026

SUMMARY

- Synopsis:** Permits Director of Division of Pensions and Benefits to initiate temporary transfer of funds in certain circumstances.
- Type of Impact:** Potential expenditure increase to School Employees’ Health Benefits Program Fund for qualified education retirees; potential revenue loss to School Employees’ Health Benefits Program Fund for qualified education retirees; potential expenditure reduction to School Employees’ Health Benefits Program Fund for active education employees.
- Agencies Affected:** Department of the Treasury; Local education employers that participate in the School Employees’ Health Benefits Program.

Office of Legislative Services Estimate

Fiscal Impact	Annual
Potential State Expenditure Increase	Indeterminate
Potential State Revenue Loss	Indeterminate
Potential Local Expenditure Reduction	Indeterminate

- The Office of Legislative Services (OLS) lacks the informational basis to quantify the fiscal impacts of this bill. The bill, however, newly creates a limited exposure of the State to the financial condition of the School Employees’ Health Benefits Program Fund for active education employees. The bill provides a temporary cash flow mechanism to cover unexpected, mid-year shortfalls in the fund that might otherwise require precipitous corrective actions on the fund’s revenue or expenditure side. The mechanism would transfer reserves from the School Employees’ Health Benefits Program Fund for qualified education retirees, which is primarily funded by the State and loan the reserves without interest to the School Employees’ Health Benefits Program Fund for active education employees, which is funded by participating local education employers.
- Assuming any short-term loan would be repaid, the fiscal impacts of the loan would be a State revenue loss from interest earnings on the cash balances in the School Employees’ Health Benefits Program Fund for qualified education retirees that instead of being invested would be loaned interest-free to the School Employees’ Health Benefits Program Fund for active



education employees. To local education employers participating in the School Employees' Health Benefits Program, the loan would potentially delay the immediate fiscal impact on employer contributions to the fund to mitigate the active fund's financial imbalance.

BILL DESCRIPTION

This bill permits the Division of Pensions and Benefits to transfer funds from the School Employees' Health Benefits Program Fund for qualified education retirees to the School Employees' Health Benefits Program Fund for active education employees when the balance of the latter fund falls to a level that is insufficient to cover 10 days of anticipated payments for costs including, but not limited to, any portion of premiums, claims, or other periodic charges.

The bill limits the amount of the transfer to a sum of up to 30 days of anticipated payments from the School Employees' Health Benefits Fund for active education employees. The bill requires the School Employees' Health Benefits Fund for active education employees to repay borrowed monies within 120 days. The division may extend the loan repayment by up to an additional year to ensure sufficient funds are available to pay claims incurred by members enrolled in the School Employees' Health Benefits Fund for active education employees.

Additionally, the bill requires the division to notify the Department of the Treasury of transfers within 30 days. The division is also required to provide the department with a monthly accounting of the outstanding balance of all transfers initiated under the bill, any repayment of monies, and the current balance of the School Employees' Health Benefits Fund for active education employees.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

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Assuming any short-term loan would be repaid, the fiscal impacts of the loan would be a State revenue loss from interest earnings on the cash balances in the School Employees' Health Benefits Program Fund for qualified education retirees that instead of being invested would be loaned interest-free to the School Employees' Health Benefits Program Fund for active education employees. To local education employers participating in the School Employees' Health Benefits Program, the loan would potentially delay the immediate fiscal impact on employer contributions to the fund to mitigate the active fund's financial imbalance.

However, if the active education employee fund were not to repay the loan to the qualified education retiree fund, the State in effect would support local education employers participating in the School Employees' Health Benefits Program. Any such support could result in increased State employer contributions to the qualified retiree fund and an expenditure reduction to local education employers.

According to the most recent Mid-Year Experience Report, in Plan Year 2026 the active education employee fund is projected to experience a loss of \$80.5 million since the original Plan Year 2026 Rate Setting Analysis. This is on top of a \$112.8 million loss in Plan Year 2024 and a projected loss of \$155.5 million in Plan Year 2025.

As a result, the Claim Stabilization Reserve is projected to be (\$32.3 million) by December 31, 2026, which is a \$111.1 million loss since the original projection.

According to the report, 10 days of claims at current Plan Year 2026 cost levels is \$63.7 million. Under the bill, if available funds in the active education employee fund fall to a level that is insufficient to cover 10 days of claims, the Division of Pensions and Benefits can initiate transfers from the qualified education retiree fund to the active education employee fund.

Section: State Government

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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.).