



New Jersey's Spending Problem: How New Jersey's Budget Process Undermines Fiscal Accountability and Sustainability



A REPORT FOR THE GARDEN STATE INITIATIVE
BY THAD D. CALABRESE, PH. D.

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Thad D. Calabrese Ph. D.

Professor Calabrese is a Professor of Public and Nonprofit Financial Management at the Robert F. Wagner Graduate School of Public Service at New York University where he currently serves as the MPA Director.

He has published academic articles on public and nonprofit pensions, operating reserves, and debt issuance, among other topics. Professor Calabrese served as the Chair for the Association for Budgeting and Financial Management and as a member of the Governmental Accounting Standards Advisory Council. He also served as the Treasurer for the Association for Research on Nonprofit and Voluntary Action. Prior to academia, Professor Calabrese worked in the City of New York's Office of Management and Budget and as a financial consultant for healthcare organizations.

Professor Calabrese is a co-author of the GSI report *Toward a Fiscally Sustainable New Jersey: Analysis & Recommendations* which was issued in September 2021. In addition, he authored *New Jersey's Fiscal Cliff Explained* for GSI which was published in 2023. Earlier this year, Professor Calabrese published "Opportunity Lost: How Earmarks Undermine New Jersey's Competitiveness and Affordability" for GSI.

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Executive Summary

Over the past eight years, New Jersey's state budget has grown at nearly twice the rate of inflation. From FY2018 to FY2026, New Jersey's budget grew more than 60 percent while inflation was only about half that. In June, Governor Mikie Sherrill signed into law a FY2027 budget of over \$60.7 billion, which represents a more modest increase than prior years' budgets. Nevertheless, the FY2027 budget maintains the State's ongoing structural budget imbalance: the enacted budget forecasts revenues from taxes, fees, and transfers of less than \$59.4 billion, while appropriating \$60.7 billion in spending; this more than \$1.3 billion gap is financed using a nearly \$7.7 billion cash surplus accumulated in prior years.¹ This pattern of implementing structurally imbalanced budgets is an ongoing concern for New Jersey.

Legislative add-ons remain a distinct layer of discretionary spending beyond the appropriations contained in the Governor's initial budget proposal. These legislative add-ons – outlined in a [GSI report](#) earlier this year – total roughly \$574 million in FY2024, \$741 million in FY2025, \$3.904 billion in FY2026, and \$481 million in FY2027. The FY2026 add-ons add about \$411 per resident in additional taxes, or \$1,084 per household.

The FY2026 spike was highly concentrated: four departments accounted for roughly 78 percent of legislative add-ons, led by Education. FY2027 is smaller to date, but 355 projects benefiting 316 entities have already been identified. The add-ons also direct significant funding outside state agencies: in FY2025, for example, local governments and private entities received approximately two-thirds of all legislative additions, while they account for 45 percent of FY2027 additions identified to date. Therefore, the issue is not simply the amount of the spending, but the use of targeted legislative appropriations to direct state resources to specific recipients and projects without public debate or oversight.

1 Figures derived from the New Jersey FY2027 Enacted Budget available at: [Appropriations Act - FY2027](#).

New Jersey’s Budget: Substantial Growth over the Past 8 Years

The current administration inherited a budget that has grown substantially over the past 8 years. As summarized in Table 1, between FY2018 and FY2026, New Jersey’s enacted budgets anticipated cumulative nominal revenue growth of approximately 61 percent, while enacted spending grew approximately 64 percent, nearly twice the cumulative inflation of 33 percent for this period.² On an annualized basis, budgeted revenues grew about 6.1 percent per year and spending about 6.4 percent. Thus, even before accounting for appropriations added after enactment, the State budgeted spending to grow faster than revenues over this period.

TABLE 1: GROWTH IN NEW JERSEY’S BUDGET FROM 2018 - 2026

	2018	2026	Growth
Revenues (\$billions)	35.79	57.49	60.6%
Expenditures (\$billions)	35.82	58.78	64.1%
Surplus/Deficit (\$billions)	-0.03	-1.29	

Source: New Jersey 2018 Annual Comprehensive Financial Report; New Jersey Fiscal Year 2026 Annual Appropriations Act

The State budget, nevertheless, remains structurally out of balance in FY2027. In fact, bond rating agencies continue to note that the State’s budget relies upon reserves and non-recurring revenues to maintain record-levels of spending.³ Despite a constitutional balanced-budget requirement, the enacted 2027 budget reports a \$1.35 billion structural gap between recurring revenues and spending that is supported by cash accumulated in prior years. Nevertheless, the current administration has committed to making the full pension payment in FY2027 and has not sought to reduce that payment as a means to artificially balance the budget.

Initial Budget Restraint Does Not Necessarily Limit Final Appropriations

The budget signed into law in June 2026 for FY2027 projects revenue growth of 2.7 percent and spending growth of approximately 1.6 percent. This represents a substantial moderation from the growth rates of preceding budget years, which is a positive step forward. However, just prior to the FY2027 budget passage, New Jersey politicians passed a nearly \$359 million appropriation bill that increased spending authorization for FY2026. This budget practice continues a tradition in which the initial budget does not necessarily represent the State’s final spending authorization for the fiscal year, as shown in Table 2.

2 Based on data from the Bureau of Labor Statistics.
3 John Reitmeyer, “NJ’s credit rating rises as pension funding continues to flow.” *NJ Spotlight News* (September 17, 2026).

TABLE 2: GROWTH IN NEW JERSEY BUDGET WITHIN EACH FISCAL YEAR, 2018-2026

Fiscal Year	June Enacted Budget (in \$b)	Subsequent Adjusted Appropriation (in \$b)	Post-Enactment Increase (in \$b)	Increase (%)
2018	\$35.51	\$35.92	\$0.41	1.15%
2019	\$37.40	\$37.96	\$0.56	1.48%
2020	\$38.72	\$39.96	\$1.24	3.20%
2021	\$40.85	\$41.59	\$0.74	1.81%
2022	\$46.38	\$48.66	\$2.28	4.92%
2023	\$50.60	\$54.50	\$3.90	7.71%
2024	\$54.32	\$55.43	\$1.11	2.05%
2025	\$56.64	\$58.12	\$1.49	2.63%
2026	\$58.78	\$59.75	\$0.98	1.64%

Note: FY2026 subsequent adjusted appropriations are an estimate. FY2021 was a nine-month fiscal year following the extension of FY2020 because of the COVID-19 pandemic. FY2018 spending includes approximately \$1 billion in pension funding associated with the transfer of the state lottery system to the pension fund.

Source: NJ OMB Budget-in-Brief for each fiscal year; NJ Citizens Guide for each fiscal year.

As an exemplar of this type of funding, Cooper Medical was appropriated nearly \$65 million in the FY2026 supplemental bill at the end of FY2026 – \$6.55 million for the Medical School of Rowan University, \$8.3 million for the Medical School University Hospital Support, and \$50 million for Institutional Support - making it impossible for the recipient organizations to spend the money in that fiscal year. Further, no additional FY2027 money was appropriated as of yet, but the \$65 million from the supplemental appropriation is spendable in the current FY2027 fiscal year while still “counting” against the last budget year. This is one mechanism that can obscure the true rate of year-over-year growth in state spending. The more modest growth rate in the FY2027 enacted budget does not necessarily indicate that this initial appropriation will be the State’s final spending authorization. In every fiscal year examined from 2018 through 2026, subsequent adjusted appropriations exceeded the amount initially enacted. If historical increases are added in FY2027, the growth in spending for the current year will once again outpace the growth in expected revenues.

Legislative Add-Ons

As detailed in GSI’s [earlier report](#), legislative add-ons arise during the legislative budget process as lawmakers add or modify funding for specific recipients and projects.⁴ Unlike appropriations contained in the Governor’s initial budget proposal, these expenditures are often directed to named organizations, municipalities, or individual projects rather than allocated through a broad formula or competitive process. In some cases, supporting justifications and recipient information become available only after the funds have been appropriated, reducing the opportunity for public scrutiny. While the budget process for a given fiscal year that begins July 1 is usually begun in the previous September, legislative add-ons are included only in late June; further, no public information is provided about why certain items are funded or others are reduced. The state’s budget generally follows this timeline:

⁴ Garden State Initiative, *Opportunity Lost: How Earmarks Undermine New Jersey’s Competitiveness and Affordability*.

Date / Period	Budget Phase	Description
September	Budget Guidelines Issued	OMB sends budget instructions to executive departments and independent agencies.
October - November	Department Submissions	Departments draft and submit funding requests to OMB following the instructions.
December - January	Executive Review	OMB reviews and adjusts department requests to align with the Governor's goals.
January - March	Proposal Finalization	OMB, Treasurer, and Governor's Office finalize the Governor's official budget proposal.
Early March	Budget Address & Presentation	Governor presents budget proposal to Legislature, releasing the Budget-in-Brief followed by full account details.
March - May	Legislative Hearings	Senate and Assembly committees conduct public hearings, review revenue projections, and question agency heads.
June	Behind-the-Scenes Negotiations	Executive and legislative leaders negotiate spending changes and legislative add-ons out of public view.
Late June	Legislative Votes	Appropriations committees draft final bill, followed by approval votes in both legislative houses.
Late June	Governor Action (Before July 1)	Governor issues line-item vetoes and signs Appropriations Act into law to prevent government shutdown.
August 1	Final Public Release	OMB publishes Appropriations Handbook detailing final allocations by department and account.

Legislative add-ons, as shown here, are at the end of the budget process and elude public scrutiny as a result.

The adjusted appropriations reported in Table 2 and the legislative add-ons analyzed in Table 3 measure different concepts. Adjusted appropriations incorporate supplemental appropriations and other budgetary adjustments and should not be equated with legislative add-ons. Separate project-level data allow legislative add-ons to be identified beginning in FY2024. Accordingly, the legislative add-on totals should not be added to the post-enactment increases reported in Table 2.

Table 3 identifies the total dollar amount of identified legislative add-ons for FY2024-2027. Because this report is being published during FY2027, numbers reflect add-ons known to date. Table 3 also includes the number of projects funded and the number of unique entities that have received these funds. The number of projects and recipients expanded sharply between FY2024 and FY2026. Although FY2027 data are incomplete, 355 projects benefiting 316 entities have already been identified. The sharp increase in the number of projects and recipients between FY2024 and FY2026 receiving targeted appropriations illustrates the growing scale and breadth of this mechanism outside the State's traditional budget structure.

TABLE 3: AMOUNT AND NUMBER OF LEGISLATIVE ADD-ONS, FY2024-2027

Fiscal Year	Legislative Add-Ons	Project Count	Unique Entities
2024	\$574 million	121	99
2025	\$741 million	412	334
2026	\$3.904 billion	666	488
2027	\$481 million	355	316

Note: Negative legislative changes are treated as reductions, not earmarks. Totals, therefore, measure gross additions rather than net legislative changes.

The distribution of these additions is highly concentrated. In FY2026, the Department of Education alone accounted for approximately \$1.98 billion, or 50.7 percent of legislative add-ons. The Department of Community Affairs, the Department of State, and the Department of Transportation followed, bringing the top four to roughly 78 percent of the total. In FY2027 so far, the Department of Community Affairs (\$115.0 million), the Department of the Treasury (\$103.7 million), the Department of State (\$62.1 million), and the Department of Children and Families (\$58.2 million) together represented about 70 percent of additions, as shown in Table 4.

TABLE 4: CONCENTRATION OF LEGISLATIVE ADD-ONS BY NEW JERSEY STATE DEPARTMENT, FY2027

Department	FY2027	Share
Community Affairs	\$115.0M	23.9%
Treasury	\$103.7M	21.6%
State	\$62.1M	12.9%
Children & Families	\$58.2M	12.1%
Total	\$339M	70.5%

Many Legislative Add-Ons Fund Private Organizations or Local (Not State) Services

An additional concern about legislative add-ons beyond transparency is that state funding is being directed to private organizations or to local services that could be more efficiently provided or justified if local governments raised the funds themselves. This shifts the cost of locally concentrated projects from the residents who receive most of the benefits to taxpayers across the state.

The distribution of these add-ons varies substantially by year as shown in Table 5. State agencies received the majority in FY2024 and FY2026, while local governments and private entities together accounted for nearly two-thirds of additions in FY2025 and 44.6 percent in FY2027 to date.

TABLE 5: DISTRIBUTION OF LEGISLATIVE ADD-ONS BY RECIPIENT TYPE, FY2024–FY2027

Fiscal Year	Total Legislative Adds	To State Agencies	State %	To Local Governments	Local Government %	To Private/Nonprofits	Private %
2024	\$573.8M	\$281.6M	49.1%	\$216.3M	37.7%	\$75.9M	13.2%
2025	\$740.7M	\$245.8M	33.2%	\$265.6M	35.9%	\$229.3M	31.0%
2026	\$3.904B	\$3.044B	78.0%	\$445.7M	11.4%	\$414.5M	10.6%
2027	\$481.1M	\$266.4M	55.4%	\$85.2M	17.7%	\$129.5M	26.9%

Note: Entities identified as New Jersey state agencies are classified as State; other identified public entities are classified as Local Government; remaining entities are classified as Private/Nonprofit.

Examples illustrate the range of projects funded: \$600,000 for MetLife Stadium sidewalk improvements, \$550,000 for Bruno Mellini Park lighting upgrades, \$400,000 for a Willingboro fire truck, and \$500,000 for the Barrymore Film Center. These projects may each have merit, but they also raise a basic question of fiscal responsibility: why should statewide taxpayers finance projects whose benefits are concentrated in a particular locality or organization? Requiring local governments to finance local services from their own tax bases imposes greater fiscal discipline: local officials must weigh the benefits of a project against the taxes required to pay for it. Legislative add-ons can weaken that connection by spreading the cost across taxpayers statewide.

Smaller legislative add-ons also account for a substantial - and, in FY2027 to date, considerably larger - share of identified projects. The share of add-ons of \$250,000 or less was 24.0 percent in FY2024, 36.4 percent in FY2025, 33.0 percent in FY2026, and 48.5 percent thus far in FY2027. In FY2027, 172 of the 355 identified add-ons were for \$250,000 or less. These smaller appropriations may receive less public scrutiny and, depending on the nature of the expenditure, may not trigger the same procurement requirements as larger awards.

The Cost to Taxpayers and Affordability

The FY2027 legislative add-on burden is roughly \$51 per resident so far this year, or about \$134 per household. FY2026 is substantially higher: roughly \$411 per resident and about \$1,084 per household. These are not separate taxes; they illustrate the opportunity cost of this discretionary spending. The relevant affordability question is what these dollars could accomplish if redirected to broad-based tax relief, debt reduction, or statewide programs subject to transparent criteria. For example, is the average New Jersey household better off because of these spending items, or would they be better off with a lower tax burden?

The Path Forward

New Jersey's FY2027 budget includes about \$3.2 billion of debt service, more than five percent of total appropriations. For perspective, the \$481 million in FY2027 legislative add-ons identified to date is equivalent to approximately 15 percent of annual debt service. The State's latest published debt report shows \$38.6 billion of long-term bonded obligations. For additional perspective, the approximately \$5.7 billion in legislative add-ons identified between FY2024 and FY2027 is equivalent to nearly 15 percent of that outstanding bonded debt. These comparisons illustrate the scale and opportunity cost of discretionary spending, even as the State has reduced bonded debt in recent years. New Jersey remains one of the most indebted states in the country despite its recent decline in debt. While New Jersey's per capita financial debt puts the state at number 9 nationally, its per capita pension debt ranks third nationally while its health care obligations rank it top in the nation.⁵ This remains the case despite eight years of making the recommended pension payment (see Table 6). The state's use of legislative add-ons makes the reduction in debt – which is a good policy goal – slower than it otherwise would be.

TABLE 6: NEW JERSEY'S DEBT OVER TIME

Fiscal Year	Bonded Debt Per Capita	Unfunded Pension Per Capita	OPEB Liability Per Capita	Total Per Capita Liability
2018	\$4,915	\$12,970	\$10,180	\$28,065
2019	\$5,000	\$11,058	\$8,558	\$24,616
2020	\$5,188	\$9,870	\$10,549	\$25,607
2021	\$5,194	\$8,315	\$10,637	\$24,146
2022	\$4,838	\$8,769	\$9,395	\$23,002
2023	\$4,467	\$8,127	\$8,827	\$21,421
2024	\$4,280	\$7,849	\$8,548	\$20,677
2025	\$4,130	\$7,672	\$8,262	\$20,064

Source: Based on financial data from the State of New Jersey Annual Comprehensive Financial Report, and population data from the US Census Bureau.

Recommendations:

The Legislature should therefore return to three principles: first, eliminate or sharply limit non-competitive project-specific add-ons; second, direct discretionary dollars toward broad-based tax relief, statewide priorities, or debt reduction; and third, require advance disclosure, written justification, and a transparent competitive process when state funding is directed to third-party organizations.

⁵ Based on the Reason Foundation's Transparency Project, October 23, 2025: <https://reason.org/transparency-project/gov-finance-2025/state/>.