



PORKROLL REPORT

Breaking Down the Budget, Slice by Slice

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From \$30.9 Billion to \$60.7 Billion

What Comes Next?

In FY2007, New Jersey's state budget totaled \$30.9 billion.

Governor Mikie Sherrill's proposed FY2027 budget comes in at \$60.7 billion, the largest spending plan in state history.

That represents an increase of \$29.8 billion — nearly doubling state spending in less than two decades.

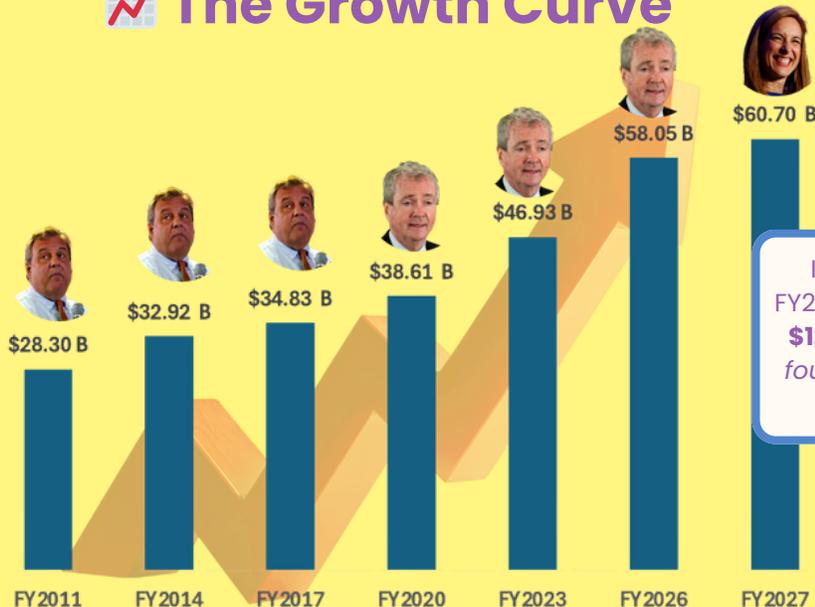
Much of this growth has occurred in just the past few years. Between FY2022 and FY2026 alone, the state budget increased by \$12.4 billion, more growth in four years than in the previous decade combined.

The FY2027 proposal attempted, but ultimately fell short, in addressing a projected \$3 billion structural deficit through \$2.6 billion in budget solutions, including roughly \$2 billion in spending cuts and \$700 million in new revenue from limiting certain corporate tax deductions.

While the proposed budget continues the long-term upward trend in spending, the effort to confront the deficit signals a growing recognition in Trenton that the state's fiscal trajectory must become more sustainable.

The question now is whether this moment represents the beginning of a broader shift toward fiscal discipline — or simply another pause before spending resumes its upward climb.

The Growth Curve



In just **four years** (FY2022–FY2026), **spending increased by \$12.4 billion** — more growth in four years than in the previous decade combined

While the proposed FY2027 budget still increases spending, it may represent the first step toward flattening the state's long-term spending curve.

HOW DID WE GET HERE?



New Jersey Policy Institute

THREE MAJOR FORCES SHAPED THIS EXPANSION:



Pandemic-Era Federal Funds

During and after the COVID-19 pandemic, New Jersey received billions of dollars in temporary federal relief through programs such as the American Rescue Plan and other emergency aid packages.

These funds helped support expanded spending on healthcare, education, economic relief, and other programs. While many of these dollars were intended to be temporary, they allowed the state to increase spending and launch new initiatives that raised the long-term baseline of the budget. As these federal funds expire, the state is now confronting the structural commitments that remain.



Structural Cost Pressures

Major state obligations grow automatically each year due to statutory formulas, contractual commitments, and rising service costs. Programs such as school aid, pensions, healthcare benefits, and property tax relief account for a large share of the state budget and tend to increase annually regardless of broader economic conditions.

The FY2027 proposal includes: \$12.4 billion in K-12 school aid \$1.4 billion in preschool funding \$1.67 billion in state aid for NJ Transit

In addition, the state continues to make full annual pension payments exceeding \$7 billion. Together, these large commitments form the backbone of the state budget and are difficult to reduce once expanded.



Limited Spending Restraint

While New Jersey's budget has grown steadily, there has been relatively little systematic effort to review, consolidate, or sunset programs once they are created. New initiatives are frequently added, but older programs are rarely phased out or restructured in a meaningful way.

Budget negotiations have also historically included last-minute additions during the final days of the legislative process. These end-of-session spending items—often negotiated behind closed doors—can add hundreds of millions of dollars in new spending that were not part of the original proposal.

Over time, these last-minute spending additions have allowed government spending to accumulate year after year, contributing to the steady expansion of the state budget.



PORK ROLL PERSPECTIVE



1 A Step Toward Discipline - If It Holds

Governor Sherrill's budget proposal signals a welcome recognition that New Jersey's fiscal trajectory cannot continue indefinitely.

Efforts to address the structural deficit and slow spending growth are encouraging after years of reliance on temporary revenues, federal aid, and last-minute additions to balance the budget.

If this restraint holds through the legislative process, it could mark an important step toward restoring fiscal discipline.

But history offers reason for caution.

Too often in Trenton, budgets that begin with restraint end with a wave of last-minute spending negotiated behind closed doors. In her budget address, Governor Sherrill pledged to put a stop to that practice. That commitment is welcome, but preventing those end-of-session additions – the "pork" that frequently appears in the final days of negotiations – will ultimately depend on whether that promise holds through the legislative process.



2 A Competitiveness Question

The proposal also includes approximately \$700 million in new revenue generated through changes to corporate tax provisions.

While closing outdated or unintended loopholes may be justified, policymakers must carefully weigh the impact of new business tax burdens.

New Jersey already faces persistent challenges competing with neighboring states for investment, job growth, and corporate headquarters.

Ensuring the state remains competitive in the region will be essential as lawmakers finalize the budget in the months ahead.



THE BIGGER QUESTION

Has government nearly doubled in effectiveness since 2007?

Have services improved proportionally?

Are taxpayers receiving significantly greater value? Or has the budget simply grown faster than the reforms needed to sustain it?

RESOURCES

FY 2027 BUDGET IN BRIEF



FY 2027 BUDGET ADDRESS



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