



TREASURY NEWS RELEASE

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Treasurer Binder Testifies Before Senate Budget and Appropriations Committee

(TRENTON) - State Treasurer Aaron Binder and Department of the Treasury officials testified before the Senate Budget and Appropriations Committee at the State House today, providing a detailed update on revenue projections for the remainder of Fiscal Year 2026 through Fiscal Year 2027.

The following is a copy of the testimony, as prepared for delivery:

SENATE BUDGET AND APPROPRIATIONS COMMITTEE HEARING
State Treasurer Aaron Binder
Testimony as Prepared for Delivery
May 19, 2026

Good morning Chairman Sarlo, Vice Chair Greenstein, and members of the committee.

Thank you for the opportunity to come before you today to discuss the updated revenue forecasts for fiscal years 2026 and 2027, as well as Treasury's departmental budget requests.

With me today are my colleagues – Deputy Treasurer Kavin Mistry, Acting Director of the Office of Management and Budget (OMB) Tariq Shabazz, and Martin Poethke, the Director of the Office of Revenue and Economic Analysis (OREA). I would like to thank each of them, as well as my front office staff and all of the staff members of OMB, OREA, and our other divisions, many of whom have joined us here today or are listening in remotely, for their diligence, dedication, and professionalism. Governor Sherrill has made it a focus of her first term to improve customer service at all levels of government and to look for ways to run government more efficiently and effectively and most importantly, affordably. The Treasury team has embraced these priorities and will continue to play a critical role in the success of the Governor's agenda.

The revenue collection patterns we discussed with you seven weeks ago have largely continued through the April filing period. There hasn't been an "April Surprise" either good or bad. Instead, we've seen more of the trends that Treasury and our colleagues at OLS had already been observing.

April revenue collections slightly exceeded our FY 2026 targets, with more positives than negatives. In total, we are now forecasting collections of \$57.8 billion in FY 2026, an increase of about \$337 million above our GBM forecast, a modest six-tenths of one percent change. For next year, our updated FY 2027 forecast of \$59.2 billion is about \$163 million higher than at the GBM, up three-tenths of a percent. The accompanying tables display the revenue details.

The biggest positive comes from the Gross Income Tax (GIT). We're increasing our forecasts by about \$170 million in FY 2026 and \$175 million in FY 2027. Total April collections were up nearly 5 percent, matching Treasury's target for the month. The important final payments and quarterly estimated payments were up by about 7 percent over last April, a fraction better than our targets. Underlying that payment growth, preliminary tax returns show net capital gains up about 20 percent, while business-related income sources were up about 2 percent and interest income declined about 5 percent. Taken together, this positive payment performance in April is a good sign for upcoming quarterly payments.

That said, we remain cautious about next April's collections. We've had two consecutive strong springs, and we're facing real national and international headwinds. Ongoing trade policy uncertainty and the current war on Iran continue to shock financial markets and add to consumer price pressures. The outlook for interest rates remains clouded, especially as higher gas prices continue to push inflation upward. Given these factors, next April is more likely to come in below this year's results than above them.

Several other revenues also show improvement for FY 2026. These include the Pass-Through Business Alternative Income Tax, up about \$51 million, the Sales Tax – Energy, up \$154 million, the Insurance Premiums Tax, up \$50 million, and the Transfer Inheritance Tax, up about \$30 million. Most of these revenue forecasts are also increased for FY 2027.



But, some of the weaker trend lines apparent two months ago have continued as well. The Corporation Business Tax (CBT) and the related Corporate Transit Fee (CTF) forecasts have been reduced by \$50 million and \$14 million respectively in FY 2026. In particular, April's quarterly corporate tax payments fell by about 11 percent, which was more than expected. This indicates further downward momentum for important June payments, and necessitated the reduced FY 2026 forecasts. However, a rebound in FY 2027 from several one-time CBT/CTF events that pushed these collections down in FY 2026 is still expected, and next year's forecasts are unchanged at this time. The effects of federal H.R.1 are expected to ease, and the timing and magnitude of certain refunds and tax settlements should return to normal.

The other revenue source under downward pressure is the Graduated Percent Fee on sales of million dollar properties. This year we've seen significant refund activity tied to a provision in the law for contracts executed before the fee took effect. These refunds are expected to taper off substantially, but for now they have reduced net collections. As a result, we are lowering the forecast by about \$69 million in FY 2026 and by about \$59 million in FY 2027 compared with the GBM.

In total, the two-year revenue forecasts have been increased modestly, reflecting current collection trends. We have made no change to the underlying economic and tax policy assumptions included in the GBM two months ago. The outlook for this year is good and the outlook for next year is cautious in the face of ongoing uncertainties.

These additional revenues make a small dent in the FY 2027 structural gap and moderately boost the State's undesignated fund balance. The structural gap for FY 2027 is now estimated at less than \$1.5 billion, and this Administration is committed to further reducing the gap next year.

The undesignated fund balance ("surplus") is now projected at almost \$6.0 billion for the end of FY 2027, or a prudent 9.8 percent of appropriations. I will remind the Committee that Moody's most recent "Stress Test" of states' fiscal health estimated that a moderate recession in New Jersey would create a 9.5 percent budget hole. Our current surplus provides just enough cover for only one fiscal year under that moderate scenario.

Department Highlights

I would like to turn now to the outstanding work done by the divisions within the Department of the Treasury.

The department plays a critical role in numerous high-priority projects that are modernizing our technology systems and will enable us to provide services more effectively and efficiently. Innovation and technology are the keys to that effort, and while several initiatives are under way or have been completed, many of our systems remain outdated, leaving much work left to do.

Some examples of those systems include:

The Division of Taxation is continuing work on the implementation of a new integrated tax system known internally as STAR – State Tax and Revenue – but which will be known publicly as the New Jersey Tax Portal. The goal is to make Taxation's system more user-friendly and efficient and greatly improve taxpayer interaction with the State.

In the first phase of STAR, Taxation created a one-stop destination for taxpayers to securely handle filings, payments, extensions, and other account activities online. Currently these features are available for Sales Tax types. Phase 1 of STAR also modernized return processing for approximately 16 tax types in the Sales Tax family. This initial phase has been tremendous success, with over 650,000 returns filed and 156,000 businesses created through the NJ Tax Portal system, just to name a few.

Phase 2 of STAR, now underway, will add additional tax types and functions to the new system, including corporation, partnership, and pass-through entity taxes. Taxpayers will also gain additional self-service capabilities, such as registering a business or scheduling payment plans online. These enhancements will deliver a streamlined, transparent, and user-friendly tax administration system while giving businesses more control over their tax accounts. This effort directly aligns with Governor Sherrill's mission to make it easier for businesses to grow and thrive in here in New Jersey, as it will soon be simpler than ever before for businesses to handle their tax obligations and instead dedicate more time to serving their customers and expanding their enterprises.

Future phases of STAR will expand the system to include all of the aforementioned benefits to Income Tax, Property Tax Relief, and Excise Taxes filers. Other improvements in the department's ability to provide better service to our customers will be focused on our public facing call centers.

Several of Treasury's divisions – including Pensions and Benefits, Lottery, Revenue and Enterprise Services, and Taxation – are at various stages of transitioning operations to cloud-based services. With cloud-based services, we will be able to streamline call flow and reduce wait times by implementing several new features, including offering same-day callbacks from live agents, automated self-service tools, and virtual chatbot assistance.

These enhancements will dramatically change a caller's experience when trying to reach our call centers. For example, a few years ago, when someone would call the popular ANCHOR hotline during high volume times and all agents were unavailable, the caller would be disconnected and told to call another time. This system led to a lot of frustration, and understandably so. Thanks to the tremendous effort by Taxation to continue to reform this process with new technology, the days of disconnection are a thing of the past.



Over the past several months the new customer service platform has ensured that, at high call volume times, callers are assisted by a virtual chatbot able to answer many commonly asked questions. Callers can choose to receive written step-by-step instructions via text with links to our website for more information. If they still wish to speak to a live agent, callers can choose to receive a callback from an agent later that day rather than wait on hold.

Not only do these changes ultimately help more people, but they also send an important message that we care about their issues and want to help. We've seen similar successes in the Pensions and Benefits call center, where wait times have been reduced to under ten minutes; in Lottery's call center, where users can now access virtual support after-hours, aligning the nature of Lottery's 24/7 business operations; and within Revenue and Enterprise Services, which now offers live chats, callbacks, call recording and transcription, and a host of other features made possible through cloud-based services innovation.

As part of her transition, Governor Sherrill tasked the Fiscal Responsibility and Government Accountability Action Team with finding ways for state government to run more efficiently. Among the recommendations from this team of seasoned government professionals was that we should look for ways to increase revenue without raising taxes or fees. At Treasury, we've taken that to heart and have instituted several new projects and programs that will increase our revenue under already existing programs.

We've seen this in the early success of Taxation's Initial Contact Unit, or ICU, which contacts taxpayers in the early stages of incurring tax liability, with the goal to nudge taxpayers into paying their taxes before being turned over for advanced collections. Within the first month of operation, the unit collected nearly \$1 million. Those are huge results – and all because of a more proactive, efficient system.

As part of our efforts at fulfilling the Governor's goal of reforming procurement, the Division of Purchase and Property is spearheading an initiative to develop an internal procurement dashboard that will provide near real-time information on State spend to procurement officials and policymakers, so we can use that data to better inform State contracting and purchasing decisions.

At OMB, work continues on overhauling the State's more than 30-year-old accounting system. This multi-year project will allow us to move forward with a modernized accounting system. Our partners at OIT recently executed the next statement of work with the technology vendor, where they will now begin to build out the system's framework based on work done during the investigative process phase. When complete, this upgrade will provide us with a wide range of efficiencies -- including more streamlined digital processes, simplified controls, and real-time data integration with other systems.

I've outlined a number of ways Treasury is using technology to improve the customer experience. But these efforts are not confined to enhanced systems and programs.

Treasury's annual budget request this year includes 36 new employees in our Division of Pensions and Benefits. These new FTEs will greatly improve the Division's ability to monitor and oversee contract procurements, contract management, and vendor compliance. As so much of the delivery of public employee health benefits hinges on the State's management of our vendors, this is a critical unit to fulfilling our mission.

The new staff also will be assigned to auditing and internal controls across both pensions and health benefits; financial reporting and employer billings; health benefits policy and planning; and employer training and member counseling.

In our Division of Risk Management, we've requested additional staffing to support our effort to improve operations identified as part of a 2023 Comptroller's audit. The new positions will be tasked with enhancing Workers' Compensation support operations, including file processing and judgement unit functions, to improve service delivery and responsiveness. In addition, they will assist with continuity of operations and succession planning as long tenured staff retire.

In an effort to identify areas of improvement in our overall ability to service our constituency, my office launched a Customer Experience Workgroup to identify pain points within our agency and implement solutions. We've surveyed our entire workforce of over 3,000 employees and will soon mandate appropriate trainings to ensure staff have the tools they need to communicate empathetically and effectively. The Governor's Office has been instrumental in supporting efforts like this to get government to work better, recognizing that we need to make operational reforms that will ultimately make us more responsive to the public we serve.

One item I'd like to mention before I take questions is the continued escalation of costs in our health benefits plans. As I outlined when I came before you last month, mid-year reports published in late March suggest cost and utilization trends for the State Health Benefits Plan and the School Employee Health Benefit Plan will once again force double digit premium rate increases for plan year 2027.

Reports suggest that the SEHBP may require a midyear rate hike to replenish the Claims Stabilization Reserve, which has eroded to a dangerously low level.

The SHBP Local Government plan also looks to be facing significant increases that could be as high as the rate increase experienced last year.

These annual double-digit increases are threatening our fiscal health at all levels of government, and this cycle will continue until we work together to find a tenable solution.

In her first budget, Governor Sherrill has proposed \$75 million in cost savings at the state level and \$150 million in the local government plan. Those savings are the right start. But this issue will not be resolved overnight.



The root causes are structural and complex, and no single solution will solve the problem. We need to work together to solve this – the current system is unsustainable and without necessary changes, the financial health of all levels of government, and access to healthcare for the hard-working men and women we employ, are at risk.

Since introducing the budget nearly two months ago, the Governor has continued to focus on making government more efficient, effective and transparent. While the Legislature has been hard at work holding hearings and carefully reviewing the proposed budget, the Administration has continued to look for ways to reduce costs. I'm pleased to report that since I was last here a month ago, because of a combination of additional cuts and higher revenue, the FY 2027 projected structural deficit has been reduced by \$200 million and is now below \$1.5 billion. As we move forward with the budget process, we hope to find additional ways to save with an eye toward further reducing the structural deficit and better preparing us for the future.

With that, I'm now happy to take questions.

[Read the FY 2027 May Update](#) 

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Office of Revenue and Economic Analysis

Office of Management and Budget

Lottery

Pensions and Benefits

Property Management and Construction

Public Contracts EEO Compliance

Public Finance

Purchase and Property

Revenue and Enterprise Services

Risk Management

Taxation

Agencies

Board of Public Utilities

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