



October 15, 2026

NJSBA Position Statement
EXPRESSING CONCERNS
Senate Bill No. 4438
(Gopal / Vitale)

"Public School Employees' Health Benefits Trust Act."

The New Jersey School Boards Association (NJSBA), a federation of all the state's local boards of education, appreciates the opportunity to provide our feedback on S-4438.

The NJ School Boards Association is acutely aware of the challenges rising health care costs are placing on our member districts. This is clearly not lost on the bill's sponsors, as demonstrated by the introduction of S-4438. The NJSBA certainly appreciates the sponsors' leadership on this matter, and we know that every stakeholder's perspective will be considered as the Legislature attempts to build consensus on how to address the crisis of rising health care costs. We also appreciate that the Legislature, as well as the current Governor, has begun to publicly acknowledge the urgent need to address the challenges facing the state's health benefit plans that serve as a vital lifeline to districts unable to procure coverage through other means. While the task of fixing these programs will not be easy, we know that a concerted commitment by all interested parties has the potential to finally solve one of the state's most intractable problems.

Unfortunately, we are not convinced that this proposal, in its current form, will achieve the desired outcome of mitigating the pressure on district budgets. We respectfully offer the following concerns and suggestions for your consideration as this discussion continues.

Background and Context. It is no secret that the School Employees' Health Benefits Program (SEHBP) is in dire condition, and many have characterized it as having fallen into a "death spiral." **And health care, regardless of participation in SEHBP or not, has become the number one budgetary pressure confronting school districts in recent years.** Year-over-year double digit increases have forced them to make incredibly difficult decisions in order to balance their budgets, including layoffs, cuts to vital programs and services, delayed investment in technology and infrastructure, elimination of courtesy busing, and reductions in athletics and extracurricular opportunities. The situation is unsustainable and is at a tipping point. In the end, the ones that will suffer the most are our students. Now is the time for bold and decisive action to reverse the current trajectory we are on.

For school districts, one the most significant impediments to relief and reform is the 2020 law that drastically altered the way we deliver health care to school employees, commonly referred to as "Chapter 44." That law was intended to deliver significant savings - a "win, win, win" - for employees, boards of education and taxpayers. Specifically, the law established the NJ Educators Health Plan, transitioned employees into a "percentage of salary" cost sharing schedule, and "locked in" plan design through 2027 - effectively taking health care off the bargaining table for seven years.

Unfortunately, NJSBA's warnings about whether Chapter 44 would truly deliver on its promise have come true. **While Chapter 44 has indeed delivered a tremendous amount of financial relief for employees, it did nothing to produce long-term savings for boards of education and taxpayers, which have been forced to absorb nearly all of the increase in premiums since the law went into effect.** Meanwhile, the law statutorily paralyzed districts and completely removed the ability of boards of education (and the SEHBP) to work with their representatives from labor to counter the situation. Instead, the cost of health care just continues to crowd out other important educational priorities, to the detriment of our students.

No Clear Cost Controls. As introduced, S-4438 contains no explicit, guaranteed, overall cost-saving measures. In its current form, the bill's potential to achieve reductions in health care costs is purely aspirational, and by no means a certainty. For instance, the bill does not make any specific plan design changes – e.g., capping the actuarial value of plans offered, implementing controls on provider/hospital payments, reforming coverage of GLP-1s and other high-cost drugs, etc. – to bring down overall costs. It certainly creates pathways to those changes, which we appreciate (e.g., empowering the Board of the new Trust to make plan design changes), but savings are far from assured, in part because of additional concerns detailed below.

The simple fact is that the current plan offerings are simply too rich and expensive, and this bill does not directly do anything to combat the rising costs that fall disproportionately on boards of education, and therefore taxpayers. To put this in context, the average actuarial value of the SEHBP plans offered equals approximately 98%. This is far higher than what is considered Platinum level coverage (90%+ AV) by the federal government and dwarfs the value of even the most generous plans offered in the private sector. To achieve real savings, it is time we took a hard look at the current plan offerings and address the fact that level of benefits school districts must offer their employees is too expensive and unsustainable. The lack of any clear cost containment measures is a significant flaw in this proposal.

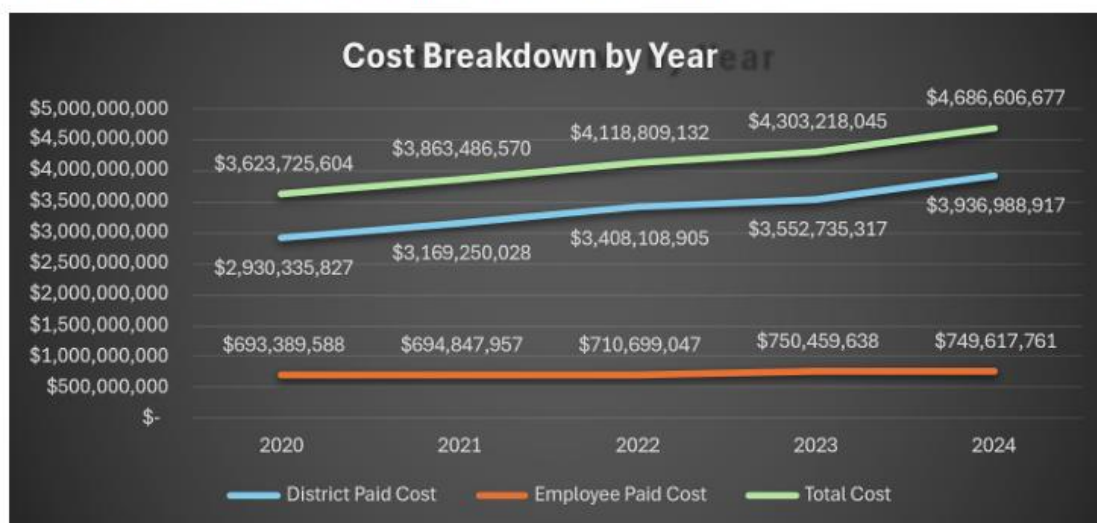
Preserving % of Salary Employee Contributions. Section 5 of the bill stipulates, similar to Chapter 44, that “employee contribution rates shall remain to be calculated as a percent of salary.” Unlike Chapter 44, however, this restriction is not time-limited; it would be permanent. Perpetuating percent of salary employee contributions indefinitely is misguided. It completely reneges on the promise of Chapter 44 that contribution schemes would return to the negotiating table in 2028. More to the point, it takes one of a board's major cost-savings tools off the table. Benefit levels and cost distribution should live at the heart of local negotiations, and this bill makes that impossible. Boards and unions need flexibility to consider ALL aspects of compensation and the terms/conditions of employment to reflect local capacity and resources. **S-4438 violates the spirit of Chapter 44 and undermines the ability of boards to have honest conversations with their employees and develop solutions to mitigate the impact of rising health care costs.**

Since the enactment of Chapter 44, boards of education (both those which participate in the SEHBP and those that do not) have borne the brunt of health care premium increases due to the fact that most

employees now pay percentage of salary towards their health benefits. To illustrate this dynamic, a report¹ published by the NJ Association of School Business Officials (NJASBO) revealed the following:

Overall Premium Costs- The chart below shows statewide cost breakdowns by year based on actual costs drawn from district Chapter 44 data collection reports. It summarizes total premiums, employee contributions, and the district costs from the base year of 2019-2020 through 2023-2024. **Total statewide health benefits costs increased \$1.06 Billion or 29%. Employee contributions increased a mere \$56 million or 8.1% during that time period.** The chart does not incorporate the 2022 premium holiday value of approximately \$79 million. Without that holiday the total costs would have been even greater.

CHART TWO: Total State Health Benefit Costs All Plans Statewide



Source: NJDOE Data Collection Reports Mandated by NJSA 18A:16-13.3b.

Board Composition and Governance → Imbalance & Deadlock Potential.

- As currently written, the bill's proposed Board of Trustees has five clear labor seats (three New Jersey Education Association representatives, one American Federation of Teachers representative, one community college union member), one clear employer seat (NJSBA), and four mixed/toss-up seats (NJASBO, Association of School Administrators, Principals and Supervisors Association, and Governor appointment). This employee/employer imbalance is inappropriate as management is inadequately represented.
- The Board also includes ten members and requires a majority vote to approve matters, making paralyzing deadlock more likely. **This dynamic would perpetuate the ongoing stalemate**

¹ Report from the NJ Association of School Business Officials: "Chapter 44: Analyzing the Financial and Structural Challenges in School Health Benefits" (October 2025)
https://cdn.ymaws.com/www.njasbo.com/resource/resmgr/2025-2026/odds_and_ends/impact_of_chapter_44_final.pdf

between labor and management within the SEHBP Plan Design Committee and the School Employees' Health Benefits Commission, resulting in a lack of meaningful action.

- To address these concerns, any proposed changes in the governance structure of the SEHBP should include an equal number of clear labor and management seats, plus an odd number of mixed/toss-up seats. Furthermore, a robust and fair tiebreaking mechanism should be incorporated into the governance framework to avoid the kind of decision-making inertia that has helped lead to the dire situation we are in.

Inappropriate Fiduciary Mandate. At multiple points, the bill uses the phrase “sole interest of the beneficiaries” to form the basis on which the Board will base any of its decisions. This essentially creates a fiduciary mandate to act in the sole interest of employees, rather than the board of education (employer), students, and taxpayers. **The consequence will result in forcing the Trust to offer the richest benefits at the cheapest cost to employees, with no consideration of how it will impact district finances.** This is wholly inappropriate. It can be viewed as absolving the Board of any obligation to consider the interests of employers, students, and taxpayers. Decisions made by the Trust should always take into consideration the impact they will have on *all* affected stakeholders.

Mandatory Participation/Locking Districts In. S-4438 is built on the premise that all school districts should fall under the same umbrella of health insurance coverage and would force all districts to enter into and remain in the Trust in perpetuity. In light of all of the above, forcing all districts into the state plan could be detrimental to district operations. While we understand the benefits of greater risk pooling, those must be balanced with enough flexibility for districts to pursue cost savings when necessary to preserve critical programs. A majority of districts have exited the state plan in favor of pursuing more favorable rates elsewhere (e.g., self-insure, health insurance funds), and they should not be financially punished as part of any transformation of the SEHBP or its successor that requires their participation. The state plan should be a competitive, viable option for BOEs, not a mandatory one. Absent a guarantee of cost savings, forcing districts into more expensive health insurance programs will have a detrimental impact on students, staff, and taxpayers. **This runs contrary to the Legislature and Governor's commitment to making New Jersey more affordable.**

Conclusion. In summary, this legislation in its current form gives NJSBA serious concerns. The state of the SEHBP and our system of delivering quality health care benefits to dedicated school employees are in dire need of reform. Doing nothing is not an option. But this bill, while well-intentioned, could very well make the status quo even worse. Rather than completely eliminating the SEHBP, and to avoid the type of disruption and financial uncertainty that would result if this bill moves forward, the focus should be on fixing the current system. Governor Sherrill has already announced the creation of a **State Health Benefits Reform Working Group** that will bring together a diverse group of stakeholders to “undertake a sustained review of the structural challenges facing the SHBP and develop concrete, evidence-backed recommendations for making high-quality health benefits more affordable and sustainable.” We urge the Legislature to allow that body to complete its work before moving forward with S-4438 or any other legislation that would drastically overhaul our public employee health benefits systems.

Thank you for your consideration of the NJSBA's position on this important matter. Any questions or comments may be directed to Jonathan Pushman, NJSBA Senior Director of Advocacy, at jpushman@njsba.org or (609) 278-5248.