LEGISLATIVE FISCAL ESTIMATE
SENATE, No. 4075
STATE OF NEW JERSEY
222nd LEGISLATURE

DATED: NOVEMBER 5, 2026

SUMMARY

Synopsis: Regulates use of artificial intelligence-based systems for electronic monitoring regarding employment and public services.

Type of Impact: Annual State and local government expenditure and revenue impacts.

Agencies Affected: Department of Labor and Workforce Development and other State agencies using AI-based tools, Judiciary, local governments.

Office of Legislative Services Estimate	
Potential State Expenditure Impact	Indeterminate
Potential Local Expenditure Impact	Indeterminate
Potential State Revenue Impact	Indeterminate
Potential Local Revenue Impact	Indeterminate

- The Office of Legislative Services (OLS) cannot quantify the net impact of the bill on State and local government finances due to a lack of fundamental data, the number of variables involved, and unavailable program details. The fiscal effects will largely depend on whether, and to what extent, public employers enter into automated services agreements or otherwise adopt artificial intelligence (AI)-based systems, which could lead to potential increases in administrative, operating, personnel, and contract-management costs across the State and local government levels. The fiscal effects will also depend on how any resulting workforce changes are implemented in practice under Civil Service rules that generally result in the separation of less senior, lower-paid employees rather than the employees whose positions are directly affected.

- However, the OLS notes that widespread layoffs of public employees under the bill appear unlikely. Historically, the State and local governments have generally not engaged in large-scale layoffs and have instead achieved reductions in their workforce primarily through hiring freezes coupled with attrition. To the extent that State and local government employers rely on alternatives to layoffs to reduce headcount in connection with the adoption of AI-based systems, many of the costs and revenues resulting from the bill would not materialize.

- State and local governments that use AI-based systems to make decisions about public benefits and services, if any, would incur indeterminate administrative costs to comply with the bill's impact assessment, beneficiary notice, human review, appeal, and data security requirements, with certain costs reimbursed by vendors. The OLS cannot estimate these potential cost and revenue increases because it is not known how widespread the adoption of these AI-based systems will be in the delivery of public benefits and services.

BILL DESCRIPTION

This bill establishes a regulatory framework governing the use of artificial intelligence and related technologies in employment decisions and the provision of public benefits and services. It sets oversight standards, controls AI deployment, and requires advance notice prior to implementation. Specifically, the bill addresses:

- Employment Systems: Restricts electronic worker-monitoring tools and automated decision-making systems used in hiring and firing.
- Worker Protections: Enhances severance provisions for displaced public workers and empowers the Department of Labor and Workforce Development to enforce compliance and assess penalties.
- Public Benefits and Services: Governs automated decision systems used to evaluate or deliver benefits and services, including financial, food, health, housing, and social insurance programs.

Establishes rights for displaced workers: The bill makes a public employer's decision to use any of the tools or systems mentioned above, or a new technology likely to result in a significant job loss, a mandatory subject of collective negotiations. A public employer may not implement any of those systems or technologies during the term of a current contract, but must, at least 30 days before the contract expires, give at least 90 days' notice before the date of the implementation and negotiate in good faith over the impact. Public employees who are displaced are entitled to certain rights as enumerated in the bill, including severance pay and health benefits for at least one year for employees with less than five years of service, or at least two years for employees with five or more years of service.

Establishes procedures and appeal rights regarding adverse decisions with AI-based systems: Employers and public entities are required to notify individuals of adverse decisions such as a termination or a denial of public benefits or services at least 10 days in advance and give affected individuals and their authorized representatives an explanation of the decision, access to all relevant information, and the right to contest the decision through a discussion with a human reviewer employed by the employer or entity and given authority to correct errors, or, if the individual is not satisfied, through an administrative or civil action or a grievance or arbitration procedure under a collective bargaining agreement.

Requires assessment before use of AI-based systems and electronic monitoring systems: This bill requires that AI and electronic monitoring systems not be used until they are screened in an impact assessment and approved as being in compliance with the requirements of the bill by an independent auditor or, if for governmental use, by the Department of Labor and Workforce Development. A vendor is to reimburse the department for only the direct costs of performing the impact assessment.

Establishes procedures for impact assessments and approvals of AI-based and certain monitoring systems: Vendors seeking approval for the use of their systems or tools must provide the independent auditor or the department conducting the impact assessment with all required information contained in the bill.

The full report of the impact assessment, and a summary of the report, produced by the independent auditor or the department, are to be kept in a public registry maintained by the department and made available to employees and their unions.

Establishes notification and disclosure requirements: The employer or public entity is required to give written notice to its employees and any union representing them, 60 days in advance, that it intends to implement an AI-based or other surveillance system.

The bill requires employers and vendors to keep all information about individuals accurate and up to date and give them access to the information and a right to seek corrections of inaccurate information or information kept in violation of the bill's requirements, either when notice is given of a change, or at least once per year even if there is no change.

Heightens data security: The bill prevents the release of information by an employer, public entity, or vendor to third parties without the individual's consent in most circumstances and requires removal of information when the legitimate need for it ends. Employers and vendors are responsible for data security and are jointly and severally liable for damages caused by any security breach.

Requires human oversight of AI-based systems: Employers and public entities are not allowed to rely solely on data or outputs from the aforementioned tools or systems, or information from third parties like data brokers, when making decisions about employment, benefits or services, or to make decisions based exclusively on this information. The bill requires users of those systems to establish meaningful human oversight of them, designating employees as internal reviewers with sufficient expertise about the systems to identify potential errors, biases, or inaccuracies produced by their use, and authority to revise or reject system outputs.

Prescribes penalties: The bill includes various criminal and civil penalties for employers and public entities violating the provisions of the bill. These include a disorderly persons offense, with enhanced monetary penalties, for any employer knowingly and willfully violating the provisions of this bill.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS cannot quantify the net impact of the bill on State and local government finances due to a lack of fundamental data, the number of variables involved, and unavailable program details. The fiscal effects will largely depend on whether, and to what extent, public employers enter into automated services agreements or otherwise adopt AI-based systems, which could lead to potential increases in administrative, operating, personnel, and contract-management costs across the State

and local government levels. The fiscal effects will also depend on how any resulting workforce changes are implemented in practice under Civil Service rules that generally result in the separation of less senior, lower-paid employees rather than the employees whose positions are directly affected.

Under Civil Service rules, which apply to State employees and to employees of local governments that have adopted Civil Service, eliminating a position does not necessarily result in the separation of the employee who holds it (the OLS notes that teachers are covered by separate tenure and seniority rules). Affected permanent employees may exercise lateral and demotional title rights to move into vacant positions or displace, or "bump," less senior employees, which could set off a chain of additional bumps so that the employees ultimately separated are generally the most junior and lowest paid. As a result, any savings from positions eliminated under the bill would likely be smaller than the salaries of those positions, although per-person severance costs would also be lower because junior employees are less likely to qualify for the two-year severance and benefit period. In addition, public employers would incur administrative costs to carry out layoffs, process bumping and seniority determinations, handle appeals, and train employees who move into new titles.

However, the OLS notes that widespread layoffs of public employees under the bill appear unlikely. Historically, the State and local governments have generally not engaged in large-scale layoffs and have instead achieved reductions in their workforce primarily through hiring freezes coupled with attrition. To the extent that State and local government employers rely on alternatives to layoffs to reduce headcount in connection with the adoption of AI-based systems, many of the costs and revenues resulting from the bill would not materialize.

The bill would also potentially increase State and local government administrative costs related to the use of AI-based systems in delivering public benefits and services, to the extent these systems are implemented. The Department of Labor and Workforce Development would incur costs to conduct the required impact assessments of these systems, with only direct costs being reimbursed by vendors. Public entities using these systems would incur costs to notify affected beneficiaries of public benefits and services, respond to requests for information, and designate trained employees to oversee system outputs and review appeals, which could be significant for larger benefits programs. Systems already in use that are not assessed within one year would have to stop operating, and public entities could face civil fines and penalties for violations. Conversely, to the extent the bill slows the adoption of AI-based systems, the State and local governments would realize smaller efficiency savings but would avoid increased administrative costs. The OLS, however, cannot quantify these specific impacts or the net effect of the bill as a whole on the finances of the State and local governments.

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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.).