

ANALYSIS OF THE NEW JERSEY FISCAL YEAR 2000 - 2001 BUDGET



DEPARTMENT OF PERSONNEL

PREPARED BY

OFFICE OF LEGISLATIVE SERVICES

NEW JERSEY LEGISLATURE

MARCH 2000

NEW JERSEY STATE LEGISLATURE

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DEPARTMENT OF PERSONNEL

Budget Pages..... C-11; C-19; D-327 to D-332

Fiscal Summary (\$000)

	Expended FY 1999	Adjusted. Appropriation FY 2000	Recommended FY 2001	Percent Change 2000-01
State Budgeted	\$32,029	\$27,409	\$28,138	2.7%
Federal Funds	74	0	0	—
<u>Other</u>	<u>0</u>	<u>2,867</u>	<u>3,703</u>	<u>29.2%</u>
Grand Total	\$32,103	\$30,276	\$31,841	5.2%

Personnel Summary - Positions By Funding Source

	Actual FY 1999	Revised FY 2000	Funded FY 2001	Percent Change 2000-01
State	405	431	431	0.0%
Federal	0	0	0	—
<u>Other</u>	<u>3</u>	<u>14</u>	<u>14</u>	<u>0.0%</u>
Total Positions	408	445	445	0.0%

FY 1999 (as of December) and revised FY 2000 (as of September) personnel data reflect actual payroll counts. FY 2001 data reflect the number of positions funded.

Introduction

The Department of Personnel administers the personnel system for all of State government and provides personnel services to 20 of New Jersey's 21 counties, 192 municipalities, and approximately 100 other autonomous public entities (e.g., authorities). Major responsibilities of the Department of Personnel are: (1) to develop and administer a comprehensive personnel system based on merit, (2) to offer cost-effective training and staff development services, (3) to assist state and local government agencies in filling staff vacancies with qualified candidates, and (4) to administer the State's Equal Employment Opportunity and Affirmative Action Programs. Recently, the department has also been charged with the responsibility for developing recommendations for implementing a new classification system and compensation policy for State employees.

Key Points

- ! The FY 2001 recommended budget for the department is \$28.1 million, an increase of \$729,000 or 2.7 percent over the FY 2000 adjusted appropriation. An additional \$3.7 million in "off budget" revenues from fees and service charges will also be available to the department.

Major Budgetary Changes

- ! \$750,000 is recommended for the implementation of a new, statewide sexual harassment training program. This program will be conducted through the Human Resource Development Institute and will provide training for all State departments and agencies, including specialized training for State Affirmative Action Officers. A "train the trainer" approach will be used in order to maximize available resources.
- ! An additional \$376,000 is recommended for information technology. This is the department's portion of the overall increase in costs for database management services provided to all State agencies and departments by the Office of Information Technology (OIT). The funds will be transferred to OIT.
- ! An additional \$241,000 is recommended to provide reimbursement to the Office of Administrative Law (OAL) for the cost of appeals and administrative law hearings. Currently, the OAL provides these services to the Department of Personnel without reimbursement.
- ! A \$470,000 reduction is related to one-time funding for a document retrieval system purchased in FY 2000.
- ! There is a \$172,000 net *decrease* in budgeted salaries and wages, comprised of the following offsetting amounts:
 - \$262,000 in additional funding for positions to allow the department to operate its own internal data processing site and LAN operations. These services were previously provided by (and reimbursed to) the Office of Information Technology.
 - \$434,000 reduction in salaries and wages, as the department's share of a statewide managed attrition program. A portion of these salaries(\$168,000) will now be funded through training fees collected in FY 2001; the remaining \$266,000 will not be funded.

"Off-budget" Revenues and Related Expenditures

- ! The Department of Personnel currently receives revenue from three sources: (1) examination fees collected from individuals applying for State and local positions; (2) fees for training services provided through the Human Resource Development Institute (HRDI); and (3) reimbursements for services provided through the shared services pilot program which provides full personnel/human resource services to several State agencies. The FY 2001 recommended budget includes \$3.7 million in total revenues from these sources.
- ! Of the \$3.7 million in departmental revenues, \$1.2 million is attributable to fees for services provided by the HRDI, although based on current experience it is likely that actual HRDI

Key Points (Cont'd)

receipts will be significantly higher. In FY 1999 the department's budget included \$618,000 in estimated revenues; actual collections were \$2.1 million. There have been no programmatic or other changes in the HRDI's services that would suggest a decline in revenues for FY 2001. Budget language allows these additional revenues (in excess of estimated amounts) to be retained and spent by the department, subject to approval by the Director of Budget and Accounting.

- ! In FY 2001, the recommended increase for salaries funded with other revenues is \$668,000. This increase reflects the full cost of operating shared services agreements with other State agencies (additional \$68,000), as well as an expected increase in fees collected for the biennial firefighter recruitment, scheduled in FY 2001 (\$600,000). Recommended budget language also allows the unexpended fee balance collected from firefighter exams as of June 30, 2000 (up to \$600,000) to be appropriated in FY 2001.

Programs/ Initiatives

- ! The FY 2000 appropriations act included \$800,000 to study an overhaul of the merit system to provide incentives and benefits to State employees. As of January 2000, the outside consultant for this project has been selected and has begun work on proposing a new classification and compensation system that reduces the number of job titles and incorporates performance-based pay. Results of the consultant's study are expected midyear; implementation of a revised system will depend upon the nature of changes proposed (but will likely begin sometime in Calendar Year 2001).
- ! In 1999, the Merit System Board, located in the Department of Personnel, adopted new regulations to revise civil service layoff procedures for State employees. The new regulations incorporate "merit points" based on annual employee performance ratings as an additional component of layoff determinations, which previously were based solely on seniority. The new regulations include specific point allocations weighted for both seniority and performance. These changes were adopted by the Merit System Board on December 7, 1999 and became effective on January 3, 2000.
- ! According to the department, the Human Resources Development Institute (HRDI) will continue to "aggressively" market its training services to local government employees, as well as private employers. The Institute has recently been accredited by the International Association for Continuing Education and Training. This accreditation allows the HRDI to offer courses that provide continuing professional education credits necessary for professional certifications.

Program Description and Overview

The Department of Personnel was established by the Civil Service Act (Title 11A), P.L.1986, Chapter 112.

The department administers the personnel system for all State executive branch departments and agencies, the Office of the Chief Executive, the Legislature, and the Judiciary. It also provides personnel services to 20 of New Jersey's 21 counties (Somerset County excluded) and more than 192 municipalities and numerous autonomous bodies. The department develops and implements policy governing all phases of personnel administration. This includes the recruitment and examination of qualified candidates; ensuring equitable treatment of employees through its classification and compensation programs; guaranteeing equal employment opportunities; providing for employee appeals procedures; promoting affirmative action; and furnishing selected training programs to employees.

The department is organized into five program classifications: Personnel Policy Development and General Administration; State and Local Government Operations; Merit Services; Equal Employment Opportunity and Affirmative Action; and the Human Resource Development Institute.

Personnel Policy Development and General Administration

Exercises overall direction and control of the department's operations; develops proposals for revised legislation governing the public career system; issues official rules and regulations which implement the Merit System statutes; considers non-disciplinary appeals, reviews hearings and renders decisions; develops, evaluates and adjusts personnel programs; and provides general administrative support.

State and Local Government Operations

Provides government agencies with support in organizational design, classification of job titles, and equitable compensation; recruits applicants; plans, schedules and conducts examinations; prepares lists of eligible candidates for State and local government positions; certifies the names of eligible candidates; administers reductions in force; administers performance appraisal systems; monitors and processes new hires and promotions; develops and publishes job specifications; maintains employment records and monitors all personnel transactions to ensure compliance with Merit System law and department rules.

Recently, an automated job placement system (RAPS), and a PC-based LAN network to allow employees to access the Personnel Management Information System (PMIS) have been implemented. In addition, the integration of the Time and Leave Reporting System (TALRS) with personnel, payroll, pension and benefit records is being studied through a contract with Anderson Consultants.

Merit Services

Provides professional, technical and clerical support services for the Merit System Board and the Commissioner of Personnel; investigates and responds to appeals; maintains agendas and schedules Board meetings; resolves disputes; prepares and reviews Merit System rules; and ensures compliance with laws and rules governing appointments and determinations.

Program Description and Overview (Cont'd)

Equal Employment Opportunity and Affirmative Action

Monitors affirmative action programs in State agencies for compliance and administers the federal Americans with Disabilities Act (ADA); develops and implements programs which ensure appropriate representation of protected classes in State government; identifies barriers to equal employment opportunity in the existing merit system; and distributes information on equal employment opportunity and affirmative action programs.

Human Resource Development Institute (HRDI)

Compiles information on the human resource development and training needs of State government; advises the Governor on these needs; works with the State agencies to prepare training plans and programs; presents formal training courses to State government employees; operates the Employee Advisory Service; and implements employee interchange and internship programs.

Recently, the HRDI has expanded its use of outside consultants and initiated a new computer-based training program which allows employees to train at their work sites. The Institute has also been accredited by the International Association for Continuing Education and Training. This accreditation allows the HRDI to offer courses that provide continuing professional education credits necessary for professional certifications.

Civil Service Reform Initiatives:

Classification/Compensation System

In FY 1999, \$800,000 was appropriated to hire an outside consultant to design, develop, install and test a revised classification and compensation system for State and local government service. In September 1998, the department issued a Request for Proposal (RFP). Because the consultant was not selected by the end of FY 1999, the \$800,000 was re-appropriated to the department in FY 2000.

As of January 2000, Buck Consultants has been selected for the project, and has begun work on proposing the new classification and compensation system which is expected to reduce the number of job titles and incorporate performance-based pay. Results of the study are expected midyear; implementation of a revised system will depend upon the nature of changes proposed (but is expected to begin sometime in Calendar Year 2001).

Note that a pay-for-performance compensation plan for approximately 3,500 middle managers and 2,000 non-aligned employees (those not represented under union contracts) was implemented in 1998. According to the department, the objectives of this plan are to overcome salary compression and to determine a manager's salary increase based on performance.

Revision of Civil Service Layoff Procedures

On December 7, 1999, the Merit System Board, located in the Department of Personnel, adopted new regulations to revise civil service layoff procedures for State employees. The new regulations allow a more limited "layoff unit" in certain circumstances and incorporate "merit

Program Description and Overview (Cont'd)

points" based on annual employee performance ratings as an additional component of layoff determinations, which previously were based primarily on seniority. (Note, however, that the changes adopted provide much less emphasis on merit points than originally proposed; seniority is still the primary determinant). Most of these changes will become effective in January 2001 and will expire in December 2002. (See attached background paper for more information.)

Civil Service Pilot Programs

During the past several years, the department has implemented several one-year pilot programs which modify or provide exceptions to current civil procedures.

- ! Rapid Recruitment Program (1997) - allows applicants for merit system positions to pay an increased application fee to fast-track their application process.
- ! Licensing and Certification Program (1997)- allows testing requirements to be waived if applicants have appropriate professional certifications and/or licenses.
- ! Displaced Workers Pool - (1997) allows some State employees, targeted for layoffs, to perform work previously done by temporary or part-time employees until a full-time State position becomes available through attrition.
- ! Expanded Choice in Hiring (1997) - This program expanded an employer's choice of candidates from the top three scorers to the top ten scorers on required tests.
- ! Intergovernmental Transfer Program (began September 1999) - allows State and local merit system employees to transfer between merit system employers (State or local) without loss of compensation, seniority, and other benefits.
- ! Improved Attendance Program - Department of Corrections (January 2000) - This program is aimed at improving attendance at the Department of Corrections by permitting certain Corrections employees to receive compensation for unused sick leave.

According to the Department of Personnel, the Rapid Recruitment, Licensing and Certification, and Displaced Workers Pool programs have been incorporated into the regular operating procedures of the department. The Expanded Choice in Hiring Program has expired. The Intergovernmental Transfer and the Improved Attendance programs are currently underway, and will be evaluated a year after their inception.

FY 2001 Budget Overview

The department's FY 2001 budget recommendation of \$28.1 million (an increase of \$729,000 or 2.7 percent over the FY 2000 adjusted appropriation) permits the continuation of services at current levels, with the following modifications. Increases in the budget are related to the implementation of a statewide sexual harassment program (\$750,000), additional information technology funding (\$376,000), and additional funding for appeals and other services provided by the Office of Administrative Law (\$241,000). Reductions for one-time funding for a document retrieval system (\$470,000), and managed attrition (\$172,000) partially offset these increases.

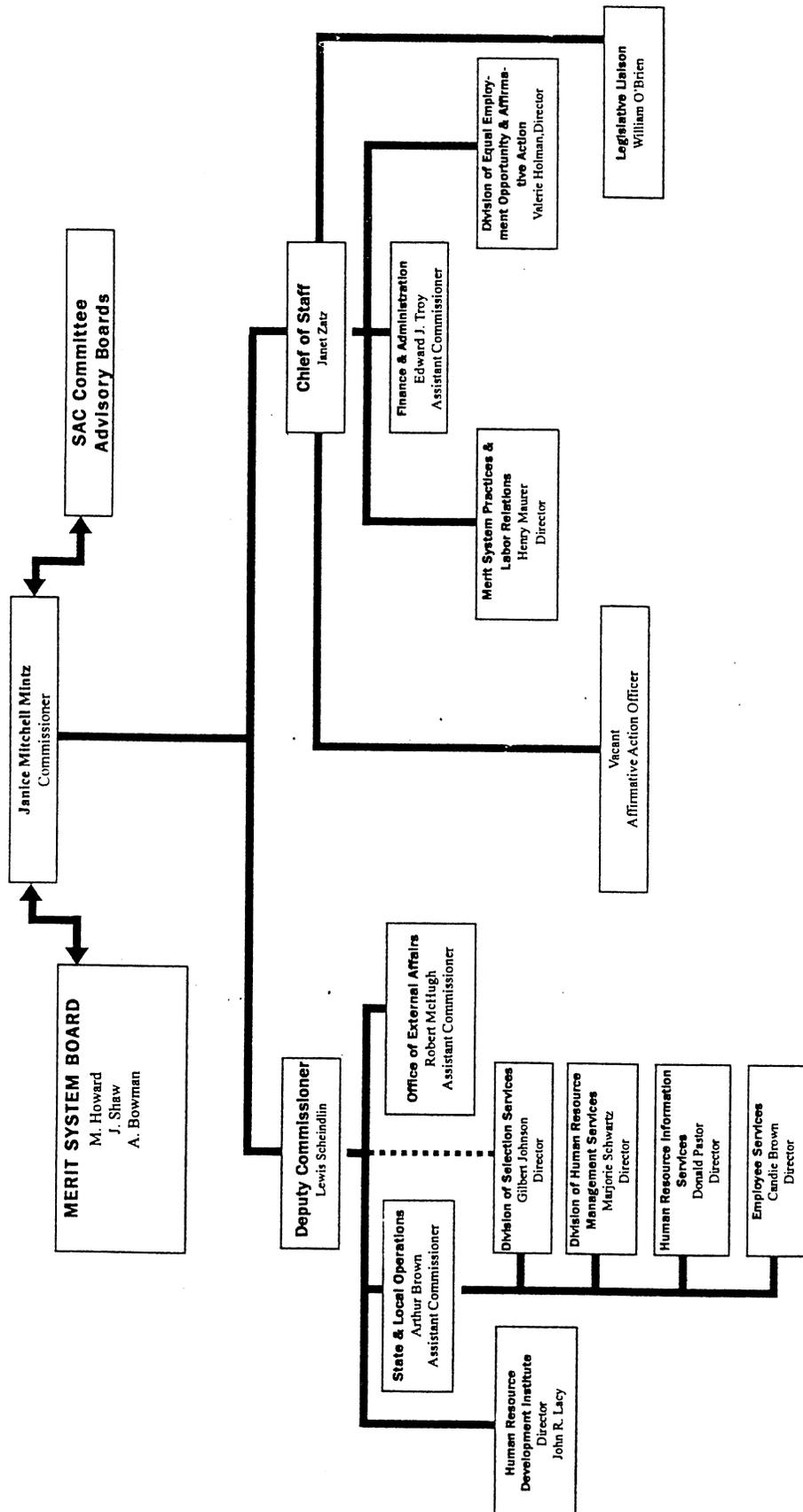
Program Description and Overview (Cont'd)

Off-Budget Items for FY 2001

In addition to direct State appropriations, the department currently receives revenue from three sources: (1) examination fees collected from individuals applying for State and local positions; (2) fees for training services provided through the Human Resource Development Institute (HRDI); and (3) reimbursements for services provided through the shared services pilot program which provides full personnel/human resource services to several State agencies. An additional \$3.7 million in these "off budget" revenues from fees and service charges will be available to the department in FY 2001. Budget language allows additional revenues collected from these sources to be appropriated to the department.

Organization Chart

NEW JERSEY DEPARTMENT OF PERSONNEL



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Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS (\$000)

	Expended FY 1999	Adj. Approp. FY 2000	Recom. FY 2001	Percent Change	
				1999-01	2000-01
General Fund					
Direct State Services	\$32,029	\$27,409	\$28,138	-12.1%	2.7%
Grants - In - Aid	0	0	0	0.0%	0.0%
State Aid	0	0	0	0.0%	0.0%
Capital Construction	0	0	0	0.0%	0.0%
Debt Service	0	0	0	0.0%	0.0%
Sub-Total	\$32,029	\$27,409	\$28,138	-12.1%	2.7%
Property Tax Relief Fund					
Direct State Services	\$0	\$0	\$0	0.0%	0.0%
Grants-In-Aid	0	0	0	0.0%	0.0%
State Aid	0	0	0	0.0%	0.0%
Sub-Total	\$0	\$0	\$0	0.0%	0.0%
Casino Revenue Fund	\$0	\$0	\$0	0.0%	0.0%
Casino Control Fund	\$0	\$0	\$0	0.0%	0.0%
State Total	\$32,029	\$27,409	\$28,138	-12.1%	2.7%
Federal Funds	\$74	\$0	\$0	-100.0%	0.0%
Other Funds	\$0	\$2,867	\$3,703	----	29.2%
Grand Total	\$32,103	\$30,276	\$31,841	-0.8%	5.2%

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 1999	Revised FY 2000	Funded FY 2001	Percent Change	
				1999-01	2000-01
State	405	431	431	6.4%	0.0%
Federal	0	0	0	0.0%	0.0%
All Other	3	14	14	366.7%	0.0%
Total Positions	408	445	445	9.1%	0.0%

FY 1999 (as of December) and revised FY 2000 (as of September) personnel data reflect actual payroll counts. FY 2001 data reflect the number of positions funded.

AFFIRMATIVE ACTION DATA

Total Minority Percent	34.1%	32.8%	33.3%	----	----
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Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp. FY 2000</u>	<u>Recomm. FY 2001</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
Salaries and Wages	\$19,876	\$19,704	(\$172)	(0.9)%	D-331

This recommended decrease is comprised of a \$262,000 increase in funding for positions to allow the department to operate its own internal data processing site and LAN operations, offset by a \$434,000 reduction as the department's share of a statewide managed attrition program. A portion of this salary reduction (\$168,000) would be funded through training fees collected by the department; the remaining \$266,000 would not be funded.

Services Other than Personal	\$5,034	\$5,651	\$617	12.3%	D-331
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The recommended increase of \$617,000 consists of the following:

- ! \$376,000 in additional funding is recommended for the department's share of funding for services provided by, and reimbursed to, the Office of Information Technology.
- ! \$241,000 in additional funding is recommended to reimburse the Office of Administrative Law for the cost of appeals and administrative law hearings. According to the department, these services are currently provided without reimbursement.

Document Storage and Retrieval	\$470	\$0	(\$470)	(100.0)%	D-331
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In FY 2000, one-time funding was available to the department to purchase a document storage and retrieval system to allow documents to be scanned into electronic databases. Additional funding for this project is not required in FY 2001.

Sexual Harassment Training Program	\$0	\$750	\$750	—	D-332
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\$750,000 is recommended for the implementation of a new, statewide sexual harassment training program. This program would be conducted through the Human Resource Development Institute to provide training for all State departments and agencies, including specialized training for State Affirmative Action Officers. A "train the trainer" approach is to be used in order to maximize available resources.

Significant Changes/New Programs (\$000) (Cont'd)

<u>Budget Item</u>	<u>Adj. Approp. FY 2000</u>	<u>Recomm. FY 2001</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
All Other Funds	\$2,867	\$3,703	\$836	29.2%	D-332

- ! Of the \$3.7 million in estimated revenues for FY 2001, \$1.15 million is attributable to fees for services provided by the HRDI. In fiscal 2000, estimated revenues for these services were \$986,000. Based on current experience it is likely that actual receipts will be significantly higher. In FY 1999, the department's budget included \$618,000 in estimated revenues; actual collections were \$2.1 million. There have been no programmatic or other changes in the HRDI's services that would suggest a decline in revenues for FY 2000, or 2001. Budget language allows these additional revenues (in excess of estimated amounts) to be retained and spent by the department, subject to approval by the Director of Budget and Accounting.
- ! In FY 2001, the recommended increase for salaries funded with other revenues is \$668,000. This increase reflects the full cost of operating shared services agreements with other State agencies (additional \$68,000), as well as an expected increase in fees collected for the biennial firefighter recruitment, scheduled in FY 2001 (\$600,000). Recommended budget language would also allow the unexpended fee balance up to \$600,000 collected from firefighter exams as of June 30, 2000 to be appropriated in FY 2001.

Language Provisions

2000 Appropriations Handbook

p. B-116

Receipts derived from fees charged to applicants for open competitive or promotional examinations and the unexpended fee balance as of June 30, 1999 not to exceed \$600,000 collected from fire fighter examination receipts are appropriated subject to the approval of the Director of the Division of Budget and Accounting.

2001 Budget Recommendations

p. D-332

The same language.

Explanation

This language allows the department to appropriate, subject to the approval of the Director of the Division of Budget and Accounting, the revenue derived from fees charged for open competitive and promotional civil service examinations, including firefighter examination receipts. In addition, the unexpended fee balance as of June 30, 2000, not to exceed \$600,000, collected from fire fighter examination receipts is carried forward into FY 2001, subject to the approval of the Director of the Division of Budget and Accounting.

Current law allows the department to charge application fees for open competitive and promotional civil service examinations, including firefighter exams. According to Schedules I and II of the Budget (p. C-11, p. C-19), the department received \$1.2 million in application fee revenue in FY 1999, and expects to receive \$1.1 million and \$1.7 million in FY 2000 and 2001, respectively. Note that the firefighter exam is given biennially, therefore a \$600,000 increase for estimated firefighter application receipts is reflected in the FY 2001 estimate.

2000 Appropriations Handbook

p. B-116

To the extent that the costs of imaging projects are reduced, funds appropriated to individual departments for the purchase of imaging related projects may be available for reallocation to a centralized function, as the Director of the Division of Budget and Accounting shall determine.

2001 Budget Recommendations

p. D-332

No comparable language.

Explanation

This language applied to the \$470,000 Document Storage and Retrieval funding provided in FY 2000. According to FY 2000 budget documents, implementation of the system was part of a "statewide technology initiative for a centralized processing capability which should now enable

Language Provisions (Cont'd)

the Division of State and Local Operations to enhance productivity and timeliness of handling appeals." The previous language permitted the reallocation of any savings achieved to a statewide centralized function without additional legislative approval.



2000 Appropriations Handbook

2001 Budget Recommendations

p. B-116

p. D-332

Receipts derived from training services and any unexpended balance as of June 30, 1999 are appropriated subject to the approval of the Director of the Division of Budget and Accounting.

The same language.

Receipts derived from Employee Advisory Services are appropriated subject to the approval of the Director of the Division of Budget and Accounting.

The same language.

Explanation

The department charges State agencies and local governments for providing training programs and employee counseling (EAS) programs (e.g., drug and alcohol abuse programs) through the Human Resources Development Institute. According to Schedules I and II of the Budget (p. C-11, p. C-19), the department received \$2.1 million in EAS and training fees in FY 1999, and has estimated revenues of \$1 million and \$1.2 million in FY 2000, and 2001, respectively. It is likely that revenues for FY 2000 and FY 2001 have been underestimated, considering that the department's budget reflects an increase in training workload data, and does not anticipate reduction in fees charged for training. Because this language is included in the recommended budget, excess revenues can be appropriated without further legislative approval.



Discussion Points

1. The department's FY 2001 budget includes new funding of \$750,000 for a statewide sexual harassment training program.

! *Question:* How does this program differ from the sexual harassment training currently provided by the Human Resource Development Institute? Please describe the department's plan for implementing the program, including a breakdown of the \$750,000 in projected costs (e.g., development of a curriculum, consultants' fees). Does the department anticipate significant costs in future fiscal years to ensure that all State agencies receive training?

2. The Human Resource Development Institute (HRDI) provides training services for State and local government employees, as well as training on behalf of some private employers. The FY 2001 recommended appropriation for the HRDI consists of \$6 million in Direct State Services and \$1.2 million in other funding from fees received for training State, local, and other employees.

! *Question:* Please provide a breakdown of HRDI expenditures and the basis for determining which expenditures are funded through the Direct State Services appropriation, and which are funded through training revenues collected. Will the HRDI be able to support operating expenditures with training revenues in the near future?

Please explain why training revenues of \$1.2 million are expected in FY 2001 (Schedule II, p. C-19), when FY 1999 actual collections totaled \$2.1 million and HRDI program evaluation data shows an expected increase in all categories. How much, if any, HRDI funding will be lapsed at the end of FY 2000?

3. The FY 2000 appropriations act included \$800,000 for consultant fees to study the overhaul of the merit system. As of January 2000, the outside consultant for this project has been selected and has begun work on proposing a new classification and compensation system that reduces the number of job titles and incorporates performance-based pay.

! *Question:* What is the current status of the plans to overhaul the classification and compensation system? What, if any, guidelines is the consultant working under in developing a proposal?

What is the expected impact of a redesigned classification and compensation system on local merit system employers; for example, if job titles are compressed, and salary ranges are broadened would there be a fiscal impact on local governments (i.e., would employees currently at the top step of their classification become eligible to receive step increases)? How is the department soliciting local input into the redesign process?

What are the most recent compliance statistics on the use of the Performance Appraisal Review by State departments? Does the department envision that this existing tool will be used as the basis for performance-based pay, under the redesigned system?

4. The department's FY 2001 budget includes \$262,000 in additional funding for positions to operate its own internal data processing site and LAN operations. These services were previously provided by, and reimbursed to, the Office of Information Technology (OIT). At the same time, there is a \$376,000 recommended increase in the department's budget for OIT services.

Discussion Points (Cont'd)

! *Question:* If the department is performing more of its own information technology services, please describe the services that OIT will be providing that result in an overall cost increase to the department?

5. A \$600,000 increase in revenues from fees collected for the biennial firefighters' exam is reflected in FY 2001. The department's budget detail indicates that these additional revenues will be used to fund salaries.

! *Question:* How are the salary costs that will be funded by these fees in FY 2001 currently funded in FY 2000?

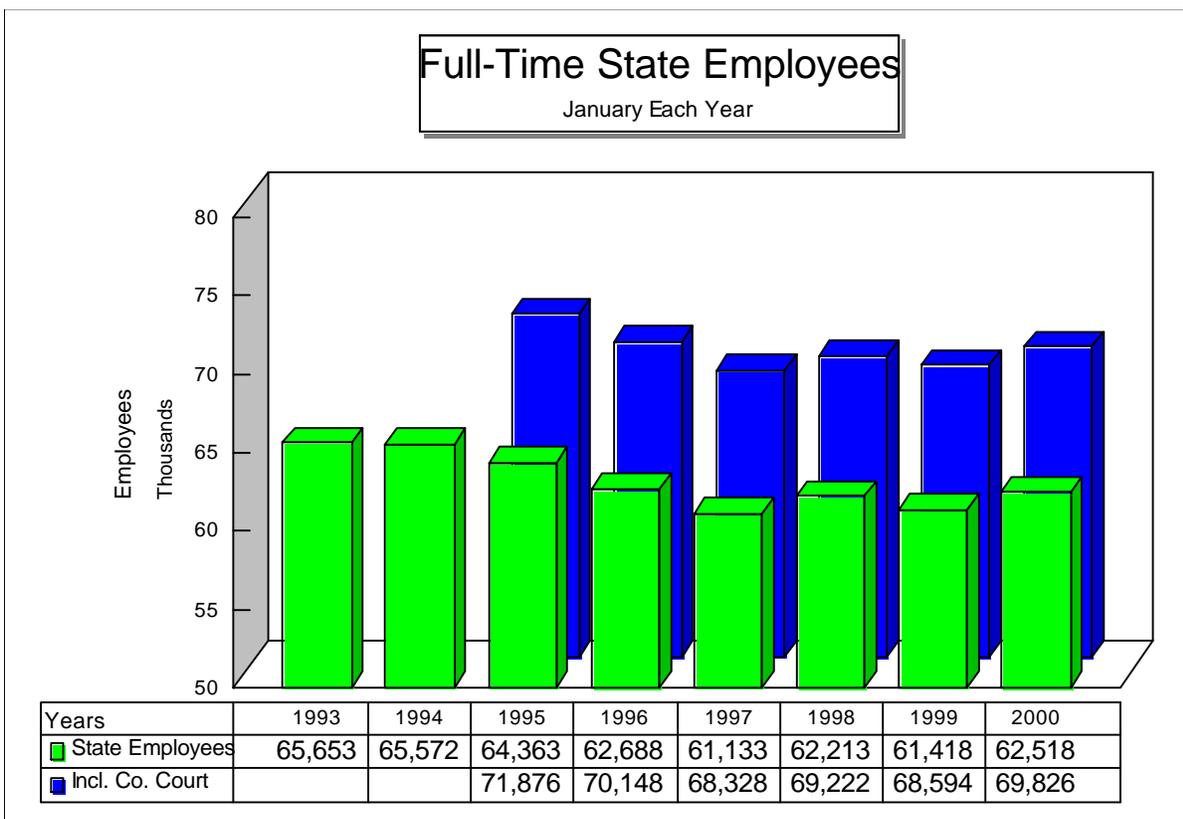
Background Paper: State Employee Payroll Count

Budget Pages... n/a

The charts included below provide information on the State employee payroll. These numbers represent the actual number of checks issued to full-time State employees from all sources (i.e., State, federal or other funds). These figures do not include vacant positions, part-time positions, or higher education employees, such as employees of Rutgers University, the University of Medicine and Dentistry (UMDNJ), and the New Jersey Institute of Technology (NJIT) and the State colleges.

In January 1995, 7,513 former County Court employees were added to the State payroll system as a result of P.L. 1994, c.162, "The Judicial Employees Unification Act". Excluding the former County Court employees, the number of State employees has decreased from 65,653 in January 1993 to 62,518 in January 2000, a decrease of 3,135, or 4.8 percent.

Table I illustrates in graphic form the year-to-year change in the number of full-time State employees based on the number of actual checks issued. Table II provides a breakdown of current full-time State employees (as of January 2000) by department and funding source.



Background Paper: State Employee Payroll Count (Cont'd)

FULL-TIME STATE EMPLOYEE COUNT - ALL FUNDING SOURCES

As of January 2000

Source: Office of Management and Budget, payroll reports

Employee Counts*

Department/Agency	Total	State		Federal funds	Non-State
		General Fund	Dedicated Funds		
Agriculture	245	146	0	39	60
Banking & Insurance	472	98	369	0	5
Chief Executive's Office	123	123	0	0	0
Community Affairs	1,022	237	394	250	141
Corrections	9,215	8,720	0	34	461
-Parole Board	175	175	0	0	0
Education	860	400	35	239	186
Environmental Protection	3,203	2,110	883	126	84
Health	1,536	468	32	666	370
- Senior Services	420	245	0	151	24
Human Services*	17,427	12,068	0	4,815	544
-Management and Budget	466	312	0	134	20
-Medical Assistance	545	173	0	372	0
-Family Development	419	233	0	186	0
-Commission for the Blind	285	191	0	94	0
-DYFS	3,143	2,480	0	638	25
-Div of the Deaf	5	5	0	0	0
-Developmental Disabilities	8,319	4,468	0	3,389	462
-Mental Health Services	4,245	4,206	0	2	37
Labor	3,546	172	436	2,931	7
-PERC	38	38	0	0	0
Law and Public Safety	6,666	4,214	878	117	1,457
-ELEC	38	38	0	0	0
-VCCB	50	50	0	0	0
-ECES	7	7	0	0	0
-Juvenile Justice	1,439	1,031	0	41	367
Military and Veterans' Affairs	1,426	1,280	0	146	0
Personnel	422	413	0	0	9
State	185	114	10	3	58
-Comm on Higher Education	23	21	0	2	0
-PBA	149	112	0	0	37
-Student Assistance	191	29	0	149	13
Transportation	3,800	2,744	0	1,056	0
-DMV	1,271	1,076	105	90	0
Treasury - (Balance of)	3,599	3,153	0	0	446
-Casino Control	325	0	0	0	325
-Commerce & Econ. Growth Comm.	117	109	0	0	8
-Displaced Workers Pool	0	0	0	0	0
-OAL	115	105	0	0	10
-OTIS	996	0	0	0	996
-Public Defender	901	899	0	0	2
-Science & Technology	8	8	0	0	0
-BPU	292	0	277	15	0
Misc. Executive Commissions	2	2	0	0	0
Sub-Total	60,304	40,405	3,419	10,870	5,610
Legislature	484	484	0	0	0
Judiciary	1,730	1,483	0	76	171
Statewide Total	62,518	42,372	3,419	10,946	5,781
County Court	7,308	6,060	0	1,239	9
Grand Total	69,826	48,432	3,419	12,185	5,790

* Number of Full-Time Employees That Received Pay Checks; excluding Higher Education

- Excludes special services and summer seasonal for all agencies except Human Services.

Background Paper: The Revision of Civil Service Layoff Procedures

INTRODUCTION

The Civil Service Act (N.J.S.11A:1-1 et seq.) provides that a permanent employee may be laid off for "economy, efficiency or other related reason." The Merit System Board, located in the Department of Personnel and whose chairperson is the Commissioner of Personnel, has a broad grant of authority under that law concerning the layoff process. N.J.S.A.11A:8-1 states that the "board shall adopt rules regarding the order of layoff and employee rights upon recommendation by the commissioner." This power is modified by N.J.S.A.11A:5-9 which grants preference to veterans in layoffs. Also, N.J.S.A.11A:6-28 provides that the "board shall adopt and enforce rules with respect to the utilization of performance ratings in promotion, layoff or other matters." Other than these general statutory provisions, the specifics of the layoff process for State employees are based upon the regulations adopted by the board.

In 1999, the board, after extensive public comment and discussions with the Communications Workers of America (CWA) which represents the majority of State employees, adopted regulatory changes to revise civil service layoff procedures for State employees. The changes do not affect local government employees. The stated purposes of the regulatory changes are to:

- (1) ensure that both job performance and seniority determine the order of layoffs;
- (2) minimize disruption caused by the bumping process in layoffs;
- (3) select and promote employees based upon their knowledge, skills, and abilities; and
- (4) provide that veterans are not adversely affected by changes to the layoff rules.

Under the former regulations, seniority was calculated as the total calendar years, months and days of continuous permanent service in the jurisdiction, regardless of the title. If two or more employees had equal seniority, preference in a layoff was given to a disabled veteran over a veteran and to a veteran over a non-veteran. If two employees were still tied after these considerations, preference was based on other criteria, such as which employee had the higher performance rating. The layoff unit was the department and included all programs administered by that department. In State service, a permanent employee in a position affected by a layoff action had to be provided applicable lateral and demotional title rights first, at the employee's option within the municipality in which the facility or office is located and, second, to the job locations selected by the employee within the department. The employee had to select individual job locations in preferential order from the list of all job locations and indicate those job locations at which he or she would accept lateral title rights and job locations at which he or she would accept demotional title rights.

The commissioner is empowered to designate lateral, demotional and special reemployment rights for all career service titles. These rights are specified as follows:

A lateral title right means the right of a permanent employee to exercise displacement rights against an employee in the layoff unit holding a title determined to be the same or comparable to the affected title of the employee.

A demotional title right means the right of a permanent employee to exercise displacement rights against an employee in the layoff unit holding a title determined to be lower than, but related to, the affected title of the employee.

A special reemployment right means the right of a permanent employee, based on his or her permanent title at the time of the layoff action, to be certified for reappointment after the layoff

Background Paper: The Revision of Civil Service Layoff Procedures (Cont'd)

action to the same, a lateral or a lower title.

REGULATORY CHANGES

The Merit System Board adopted the following regulatory changes regarding the order of layoffs for State career service employees.

I. Layoff units and job locations (4A:8-1.5)

In State service, the layoff unit will no longer automatically be an entire department or autonomous agency. Now, in departments or autonomous agencies with more than 1,000 employees, a layoff unit consisting of a division or divisions in a department or agency may be approved by the Commissioner of Personnel if a request for such a layoff unit is submitted by a department or agency to the commissioner at least 45 days prior to the issuance of layoff notices. The request must include the following information:

- the need for a smaller unit than a department or agency;
- the functional and organizational structure of the department or agency;
- the number of employees and the funding source, bargaining unit, equal employment opportunity categories, job titles, class codes and salary ranges of employees in the proposed layoff unit;
- the effect upon employee layoff rights of the proposed layoff unit, including reasonable geographic considerations relating to the employees' job location;
- impact upon service to departmental clientele and the public; and
- other relevant factors.

After a 20-day comment period, the commissioner must issue a determination approving, modifying or rejecting the proposed layoff unit. In no event will a layoff unit have fewer than 1,000 employees; however, the commissioner may approve the combining of divisions in a department or agency to create a layoff unit of 1,000 or more employees. A layoff unit smaller than a department or agency, regardless of size, will not be approved if the layoff is the result of privatization or closure. Notwithstanding the commissioner's approval of a layoff unit smaller than a department or autonomous agency, the layoff rights of a State employee who is a disabled veteran or veteran can be exercised in the entire department or agency.

II. Layoff notice (4A:8-1.6)

Employees notified of their separation from service due to a layoff must be informed of vacancies in other State departments or agencies to which an employee, if qualified and rated Commendable or above in the most recent Performance Assessment Review (PAR) rating, will have a right to accept an appointment in lieu of separation. Should an employee accept an appointment to such a vacancy in lieu of separation, the employee must forfeit any special reemployment rights that he or she would have had otherwise.

III. Exercise of lateral and demotional rights (4A:8-2.2)

State employees will be ranked, for purposes of the exercise of layoff rights, as follows:

- employees who are disabled veterans exercising layoff rights will be ranked in order of seniority ahead of employees who are veterans, and employees who are veterans

Background Paper: The Revision of Civil Service Layoff Procedures (Cont'd)

- exercising layoff rights will be ranked in order of seniority ahead of those employees who are non-veterans.
- employees who are non-veterans exercising layoff rights will be ranked in order of merit points.

A permanent State employee in a position affected by a layoff action will exercise lateral and demotional rights, at the employee's option, first within the municipality in which his or her office or facility is located (as was the practice prior to the amendment of the regulations) and then to job locations selected by the employee within the layoff unit (not the entire department if a department is not the layoff unit). The purpose of this is to reduce the bumping chain in State service. However, veterans and disabled veterans can exercise lateral and demotional rights within an entire department or agency.

The employee will select individual job locations in preferential order from the list of all job locations within the layoff unit and indicate the job locations at which he or she would accept lateral or demotional title rights.

Following the employee's selection of job location preferences, lateral and demotional title rights would be exercised in the following order against a:

- (1) vacant position the appointing authority is willing to fill.
- (2) position held by a provisional employee without permanent status in another title.
- (3) position held by a provisional employee with permanent status in another title.
- (4) position held by an employee in a working test period with the least seniority.
- (5) position held by a non-veteran, permanent employee with the fewest merit points.
- (6) position held by a permanent employee who is a veteran with either the least seniority or fewest merit points, whichever would provide the greater advantage to the veteran as compared to the non-veteran.
- (7) position held by a permanent employee who is a disabled veteran with either the least seniority or fewest merit points, whichever would provide the greater advantage to the disabled veteran as compared to the non-veteran.

The revised regulations also add new language concerning the granting of demotional title rights. Disabled veterans and veterans will be entitled to exercise these rights without regard to whether the disabled veteran or veteran has greater seniority or merit points than the employee being displaced. Non-veterans would be entitled to exercise these rights on the basis of greater merit points than the employees against whom they are exercising their displacement rights, except that if the employee being displaced is a veteran, the non-veteran must have both greater seniority and greater merit points.

IV. Exercise of special reemployment rights (4A:8-2.3)

Special reemployment lists take priority over all other reemployment lists, open competitive lists and promotional lists. A permanent employee will be granted special reemployment rights based on the permanent title from which he or she has been laid off, demoted or displaced by job location. Previously, a special reemployment list did not have an expiration date. Under the new regulations, non-veteran employees who are separated from State service in a layoff would be placed on a special reemployment list for a period of five years. Veterans and disabled veterans, and those who exercised a lateral, demotional or prior held right within a department or agency, would be placed on a special reemployment list for an unlimited duration.

Background Paper: The Revision of Civil Service Layoff Procedures (Cont'd)

On or after January 1, 2001, non-veteran employees will be ranked on a special reemployment list based on the employee's permanent title and merit points at the time of the layoff. Disabled veterans and then veterans will be ranked at the head of the list in the order of their permanent title and seniority. An employee who accepts an appointment to a position in another department or agency in lieu of separation at the time of layoff would not be placed on a special reemployment list.

V. Seniority and merit points (4A:8-2.4)

Seniority for civil service purposes continues to be the amount of continuous permanent service in the jurisdiction regardless of title. However, the new regulations introduce the concept of merit points in State service for the purpose of determining the order of layoffs and the exercise of lateral and demotional title rights. Beginning January 1, 2001, merit points will be based upon a combination of seniority and performance. Merit points will be calculated as follows:

- An employee will be awarded one merit point for each year of seniority.
- For each final PAR rating of Commendable, one merit point will be added to the employee's points for seniority.
- For each final PAR rating of Exceptional, 2.5 merit points will be added to the employee's points for seniority.
- If the employee's final PAR rating for a given rating period is Unsatisfactory, no points will be added to the employee's points for seniority.
- When there is no final PAR rating on file for an employee for a given rating period, the final rating for that period will be deemed Commendable.
- Merit points will not be used for veterans and disabled veterans in a layoff except when merit points provide a greater advantage to the veteran or disabled veteran than does seniority as compared to a non-veteran.

The regulatory changes also revise tie-breaker provisions when two or more State employees have equal merit point scores:

- The employee with the greater amount of continuous permanent service in the employee's current permanent title and other titles that have (or would have had) lateral or demotional rights to the current permanent title, will have priority.
- The employee with greater total service, regardless of title or status, will have priority.
- The employee with the higher performance rating during the 12 months period prior to the effective date of the layoff will have priority over an employee with a lower rating during that period.
- The employee with the higher performance rating during the period between 24 months and 12 months prior to the effective date of the layoff will have priority over an employee with a lower rating during that period.

The new regulations provide that in any year when fewer than 85 percent of the career service employees in a department or agency have received final PAR ratings, merit points will not be awarded for career service employees in that department or agency for that year; except that if the Department of Personnel finds that fewer than 85 percent of the career service employees in a department or agency did not receive final PAR ratings in a given year due to an effort by employees to ensure that PAR compliance would be below 85 percent, all career service employees in that department or agency will receive merit points for that year.

Background Paper: The Revision of Civil Service Layoff Procedures (Cont'd)

The new regulations also require the commissioner to calculate, on an annual basis by March 1 for the preceding calendar year, a parity index for each State department and agency. The parity index will compare the final PAR ratings of minority career service employees in the department or agency to the final PAR ratings of white career service employees in the same department or agency. For any year in which the parity index for a department or agency is below 70 percent, merit points will not be awarded for employees in that department or agency. For any year in which the parity index for a department or agency is 80 percent or higher, merit points will be awarded for employees in that department or agency. For any year in which the parity index for a department or agency is below 80 percent but not less than 70 percent, the Commissioner must convene an audit team, to be comprised of employees of the Department of Personnel and the department or agency, including the affirmative action officer for the department or agency. The audit team must review the PAR ratings of the employees in the department or agency for that year and prepare and submit to the commissioner, the department or agency and affected negotiations representatives a report regarding the PAR ratings. Within 20 days of receipt of the report, the department or agency and affected negotiations representatives may submit comments regarding the report to the commissioner. Following a review of the comments submitted, the commissioner must make a determination regarding whether the department or agency's PAR ratings can be used to award merit points for that year. The commissioner may direct a department or agency to take such remedial or corrective actions, as appropriate, to ensure the effective operations of the PAR program.

These regulatory changes were adopted on December 7, 1999 by the Merit System Board. They became effective on January 3, 2000 and will expire three years from that date.

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Individuals wishing information and committee schedules on the FY 2001 budget are encouraged to contact:

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