

ANALYSIS OF THE NEW JERSEY
FISCAL YEAR 2003 - 2004 BUDGET



DEPARTMENT OF PERSONNEL

PREPARED BY

OFFICE OF LEGISLATIVE SERVICES

NEW JERSEY LEGISLATURE

MAY 2003

NEW JERSEY STATE LEGISLATURE

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This report was prepared by the State Government Section of the Office of Legislative Services under the direction of the Legislative Budget and Finance Officer. The primary author was James F. Vari.

Questions or comments may be directed to the OLS State Government Section (Tel. 609 292-9106) or the Legislative Budget and Finance Office (Tel. 609 292-8030).

DEPARTMENT OF PERSONNEL

Budget Pages..... C-12, C-20, C-33; D-351 to D-356

Fiscal Summary (\$000)

	Expended FY 2002	Adjusted Appropriation FY 2003	Recommended FY 2004	Percent Change 2003-04
State Budgeted	\$32,407	\$26,711	\$25,936	(2.9)%
Federal Funds	289	0	0	—
<u>Other</u>	<u>0</u>	<u>5,146</u>	<u>4,641</u>	<u>(9.8)%</u>
Grand Total	\$32,696	\$31,857	\$30,577	(4.0)%

Personnel Summary - Positions By Funding Source

	Actual FY 2002	Revised FY 2003	Funded FY 2004	Percent Change 2003-04
State	426	369	370	0.3%
Federal	0	0	0	—
<u>Other</u>	<u>13</u>	<u>24</u>	<u>28</u>	<u>16.7%</u>
Total Positions	439	393	398	1.3%

FY 2002 (as of December) and revised FY 2003 (as of September) personnel data reflect actual payroll counts. FY 2004 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.

Key Points

- The FY 2004 recommended State appropriation for the Department of Personnel is \$25.9 million, a decrease of \$775,000 or 2.9 percent, from the FY 2003 adjusted appropriation of \$26.7 million.
- The recommended FY 2004 appropriation for "Services Other Than Personal" is \$306,000 less than the FY 2003 adjusted appropriation, primarily due to a reduction for consulting services used to validate civil service tests. However, funding for consultants to validate police tests is recommended to remain level at \$434,000.
- The Governor's FY 2004 budget recommends a 50 percent reduction in funding for the salaries of Merit System Board members, from \$56,000 in FY 2003 to \$28,000 in FY 2004. The Merit System Board of five members provides a forum for dispute resolution and is charged with adopting rules and interpreting statutes and administrative code related to the personnel issues.
- A FY 2004 recommended "Salaries and Wages" reduction of \$411,000 includes \$311,000 in prorated early retirement incentive extension savings and \$100,000 in operating salary reductions.
- In addition to the recommended Direct State Services appropriation, \$4.6 million in "off-budget" revenues from fees and service charges are anticipated to be available to the department in FY 2004, \$505,000 or 9.8 percent less than the FY 2003 adjusted appropriation. Other funds appropriated to the Human Resource Development Institute in FY 2004 are estimated to decline to \$1.76 million, down \$398,000 or 18.4 percent, from the FY 2003 adjusted appropriation of \$2.16 million.

Background Paper

Sick Leave Injury Program

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Program Description and Overview

Established by the Civil Service Act (Title 11A), P.L.1986, Chapter 112, the Department of Personnel 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 190 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; classification of job titles; administration of the compensation program for State employees; monitoring of affirmative action and *Americans with Disabilities Act* (ADA) programs in State agencies for compliance; promoting affirmative action; providing for employee appeals procedures; and furnishing selected training programs to employees.

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 — the department plans to further reduce duplication of human resource administration in FY 2004. In FY 2003, the department continued toward this goal by creating two more shared human resource services centers in the Departments of Agriculture and Community Affairs.

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; 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 of staff; recruits applicants; plans, schedules and conducts examinations; prepares lists of eligible candidates for State and local government positions; administers all reductions in force in State and local government as well as the Senior Executive Service; administers performance appraisals; monitors and processes all new hires and promotions to ensure compliance with Merit System rules; develops and publishes job specifications for all classified titles in all levels of government; maintains employment records and monitors all personnel transactions to ensure compliance with Merit System law and department rules; and provides information processing support to the department and its appointing authorities.

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 by providing alternate avenues of resolution; prepares and reviews Merit System rules for inclusion in the New Jersey Administrative Code; and ensures compliance with laws and rules governing appointments and determinations.

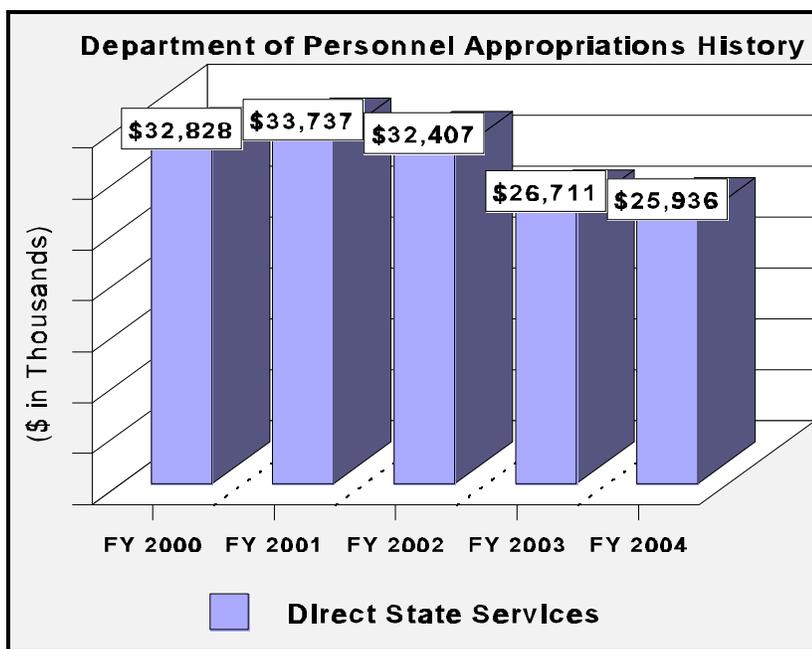
Program Description and Overview (Cont'd)

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 by providing alternate avenues of resolution; prepares and reviews Merit System rules for inclusion in the New Jersey Administrative Code; and ensures compliance with laws and rules governing appointments and determinations.

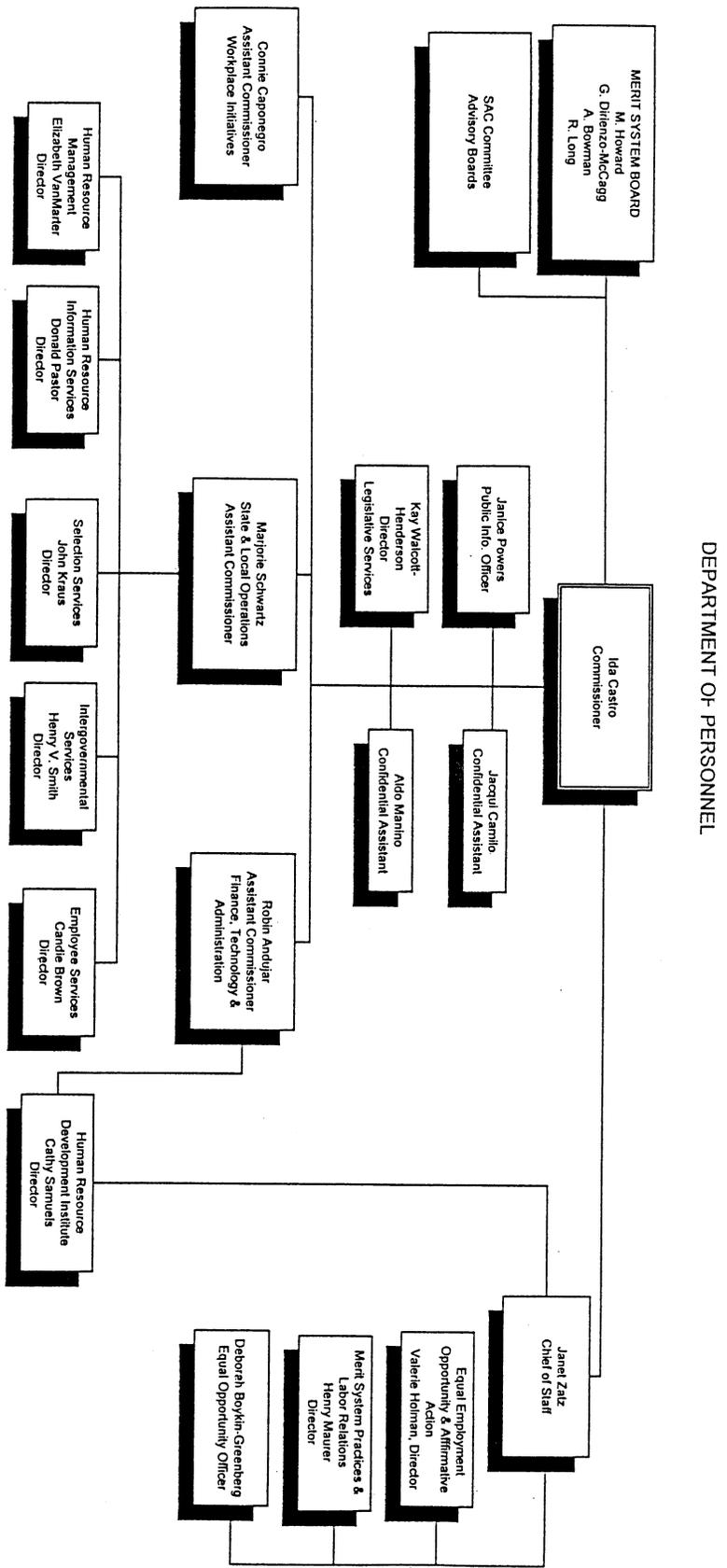
Human Resource Development Institute (HRDI)

Compiles information on the human resource development and training needs of State government; advises the Governor on human resources development and training plans, policies and programs; works with the State agencies to prepare human resource development and training plans and programs; presents formal training courses in both common tasks and agency-specific subjects to State government employees; determines the necessity for the use of training providers from outside State government, and obtains these services as required.



Note: For the chart above, FY 2000 - 2002 show expended amounts; FY 2003 is the adjusted appropriation, and FY 2004 is the recommended budget appropriation.

Organization Chart



Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS (\$000)

	Expended FY 2002	Adj. Approp. FY 2003	Recom. FY 2004	Percent Change	
				2002-04	2003-04
General Fund					
Direct State Services	\$32,407	\$26,711	\$25,936	(20.0)%	(2.9)%
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	\$32,407	\$26,711	\$25,936	(20.0)%	(2.9)%
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	\$32,407	\$26,711	\$25,936	(20.0)%	(2.9)%
Federal Funds	\$289	\$0	\$0	(100.0)%	0.0%
Other Funds	\$0	\$5,146	\$4,641	----	(9.8)%
Grand Total	\$32,696	\$31,857	\$30,577	(6.5)%	(4.0)%

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 2002	Revised FY 2003	Funded FY 2004	Percent Change	
				2002-04	2003-04
State	426	369	370	(13.1)%	0.3%
Federal	0	0	0	0.0%	0.0%
All Other	13	24	28	115.4%	16.7%
Total Positions	439	393	398	(9.3)%	1.3%

FY 2002 (as of December) and revised FY 2003 (as of September) personnel data reflect actual payroll counts. FY 2004 data reflect the number of positions funded.

AFFIRMATIVE ACTION DATA

Total Minority Percent	31.2%	38.4%	34.1%	----	----
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Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp. FY 2003</u>	<u>Recomm. FY 2004</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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Direct State Services

Merit System Board	\$56	\$28	(\$28)	(50.0)%	D-355
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The Merit System Board is a five member, bipartisan, public body consisting of the Commissioner of Personnel, and four part-time members appointed by the Governor. This recommended reduction would impact the salaries paid to board members.

Salaries and Wages	\$19,869	\$19,458	(\$411)	(2.1)%	D-355
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The Governor's FY 2004 budget recommends a \$411,000 reduction in the combined Direct State Services "Salaries and Wages" line items. The major components of this reduction are prorated early retirement incentive extensions (\$311,000) and operating salary reductions. Recommended salary funding decreases by program class are: State and Local Government Operations (\$285,000), Human Resource Development Institute (\$69,000), General Administration (\$38,000), Merit Services (\$12,000), and Equal Employment Opportunity and Affirmative Action (\$7,000).

Services Other Than Personal	\$5,269	\$4,963	(\$306)	(5.8)%	D-355
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The Governor's FY 2004 budget recommendation includes a reduction of \$265,000 to the State and Local Government Operation "Services Other Than Personal" account, of which \$200,000 is a cut in funding for consulting services used to validate civil service tests. To achieve this savings, the department is expected to prioritize the civil service tests that require outside evaluation for impartiality. Another component of reduction is a cut of \$86,000 in payments to the Office of Information Technology for information management services.

All Other Funds

State and Local Government Operations	\$2,988	\$2,881	(\$107)	(3.6)%	D-356
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Although the overall number of examination applications received by the department is estimated to increase by 14,000 in FY 2004 over FY 2003, the department anticipates a significant reduction in the firefighter application fees because fire service open competitive examinations are offered once every two years. This reduction will negatively impact anticipated revenue.

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

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2003</u>	<u>Recomm.</u> <u>FY 2004</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
Human Resources Development Institute	\$2,158	\$1,760	(\$398)	(18.4)%	D-356

FY 2004 revenues collected by the Human Resources Development Institute for services provided are estimated to be negatively impacted by a 50 percent decline in the number of individuals to receive training through means of alternative technology.

Discussion Points

1. In his FY 2004 Budget Message to the Legislature, the Governor announced that "there will be downsizing and attrition that will reduce the State payroll by 1,000 workers." This proposed cutback in the State work force does not include the reduction of over 2,000 State employees from January 2002 to January 2003. In addition, the budget proposes elimination of funding for certain programs and related staff.

- *Question: Has the department begun the process of layoff planning with departments facing specific program eliminations? Will a re-employment list be established for employees laid off due to budget cuts? Does the department expect to play a central role in managing an attrition-driven reduction in force of 1,000 employees? Based on recent attrition patterns, excluding early retirements, what types of positions or job categories are most likely to become vacant and remain vacant to generate attrition savings? In which departments are these positions concentrated?*

2. Data provided by the Department of the Treasury, Division of Pension and Benefits indicated that a total of 4,766 State employees opted for the Early Retirement Incentive (ERI), with 3,832 of these individuals retiring by June 30, 2002 and 934 extended past that date for up to one year. In addition, 1,121 employees of State colleges and universities took advantage of the ERI, with 127 on extended employment beyond July 1, 2002.

- *Question: Please provide the number of State employees who opted for ERI by EEO job category, e.g., Officials-Administrators, Professionals, Office-clerical, etc. What percentage of the total State work force in each category opted for ERI? What negative effects of ERI, if any, on the experience and skill level of the State work force has the department identified?*

3. The department is responsible for administering an effective, efficient and comprehensive personnel system based on merit and sound management principles for State and local government employees. This system includes the recruitment, testing and placement of employees; human resource consulting; development of job classification systems; development and coordination of employee appraisal systems; approval of personnel actions; development and administration of human resource information systems; and maintenance of employee records for approximately 200,000 State and local Merit System employees. The Governor's budget for the department in FY 2004 is \$25.9 million. Of this amount, \$14.6 million is recommended for the State and Local Government Operations program.

- *Question: What is the cost of overseeing the testing, selection and promotion of local government employees? What fees are collected by the department to defray the cost of providing services to local governments?*

4. The Governor's FY 2004 budget estimates that revenue collected for services provided by the Human Resource Development Institute (HRDI) will decline 18.4 percent or \$398,000, from \$2.2 million in FY 2003 to an estimated \$1.8 million in FY 2004. This decline in revenue is primarily attributable to a more than 50 percent reduction in the number of contact hours in training individuals through alternative technologies. Budget evaluation data also project an increase in "Direct Delivery" trainees and training hours, as well as an increase in the number of positions at the HRDI, from 58 in FY 2003 to 62 in FY 2004. Direct delivery is training using traditional methods of classroom instruction as opposed to training through alternative technologies like distance learning.

Discussion Points (Cont'd)

- *Question: Please explain why direct delivery training will increase while training via alternative technology will decrease in FY 2004. Has HRDI concluded that alternative technology training is less effective than direct delivery training? What are the respective costs per trainee for direct delivery training and alternative technology training?*

5. Some State departments and agencies, with the assistance of the Department of Personnel, have taken the initiative to introduce health and safety prevention programs, and related equipment purchasing programs. However, the majority of State agencies have no health and safety prevention program. State employees are being injured due to negligence, accidents, or not having appropriate equipment. Injuries cost the State \$41 million annually in Sick Leave Injury wages, workers' compensation benefits, and medical costs. The development and implementation of a State-wide safety program and the purchase of ergonomic (injury user friendly) equipment and the proper training in its use could reduce or prevent injuries. Health and safety programs have been successful in other states, like Oregon's program that reduced injury claims by 50 percent. In four years, the Federal Bureau of National Affairs program has reduced injuries by 75 percent (from 132,000 injuries to 30,000). This reduction in injuries could be realized by New Jersey if the State were to implement a State-wide injury reduction and prevention program for employees that also addresses the purchasing of equipment.

The Office of the State Auditor has recommended that the Department of Personnel implement a health and safety program similar to those cited above. The Auditor also recommended that the Department of the Treasury, Bureau of Purchase and Property implement a program to purchase ergonomically friendly equipment that would assist in reducing injuries.

- *Question: Please explain the department's efforts to promote health and safety programs for the State work force, the successes it has achieved and any obstacles encountered to increasing the number and quality of programs. Please provide documentation on the number of State employee workplace injuries for the past four years. What efforts have been undertaken by the department to assist State agencies to purchase ergonomically effective equipment? What authority does the Department of Personnel have to require the purchase of such equipment by other State agencies?*

Background Paper: Sick Leave Injury Program

Save \$2.5 Million Annually

The Office of the State Auditor recently found that the State could save \$2.5 million annually by eliminating the Sick Leave Injury Program and utilizing, in lieu thereof, the Workers' Compensation Program. Injured State employees making \$50,000 or less would take home about the same amount because taxes and deductions would not be taken from their Workers' Compensation benefit.

Sick Leave Injury Program

The purpose of the Sick Leave Injury Program, established by N.J.S.A. 11A:6-8 and defined in N.J.A.C. 4A:6-1.6 et seq., is to provide a continuation of pay for up to one year for State employees who are injured or become ill from work-related causes. Employees continue to pay income taxes and both employee and employer continue to pay social security and other payroll taxes. After a year on Sick Leave Injury, employees are moved to the State's Workers' Compensation Program until final disposition of their case.

According to the State Auditor's March 2003 report on the Sick Leave Injury Program, New Jersey is one of four states, along with the federal government, that has a continuation of pay program for injured employees to collect full wages. New Jersey's program is, by far, the most generous with a one year benefit time. The federal government has a 45 day benefit time and the other states follow with 22, 21 and 7 days. In FY 2002, 2,200 employees qualified for 46,500 Sick Leave Injury benefit days worth an estimated \$6.8 million in wages. The Department of Human

Services accounted for the most benefit days at 23,000, followed by the Department of Transportation at 7,000. The Department of Corrections has reduced the number of benefit days to 3,000 by implementing a program to counsel employees to file claims against the Workers Compensation fund. The State could have saved \$2 million and provided similar services and benefits if its Workers' Compensation Program was used, the State Auditor found. This savings represents the difference between the taxable Sick Leave Injury benefit versus the non-taxable Workers' Compensation benefit. Additional savings of \$500,000 would be realized from the employer share of payroll taxes.

State Auditor Recommendation

The State Auditor recommended that the Department of Personnel and the Department of the Treasury coordinate their efforts to introduce legislation for the elimination of the Sick Leave Injury Program.

The chart below shows the impact of weekly benefits at various annual salary levels. Those making \$50,000 per year or less would take home about the same amount each week because taxes and deductions would not be taken from the Workers' Compensation benefits. This change would most effect those making more than \$50,000 annually since there is a \$629 weekly cap on Workers' Compensation benefits. Historical data shows only 14 percent of State employees on Sick Leave Injury are in this category and the average benefit time is only 24 days.

Weekly Take Home Pay

Status	Married	Single	Married	Single	Married	Single	Married	Single
Salary	\$30,000	\$30,000	\$40,000	\$40,000	\$50,000	\$50,000	\$60,000	\$60,000
SLI	\$461.17	\$419.43	\$595.61	\$535.46	\$672.45	\$635.15	\$800.47	\$740.08
WC	\$396.67	\$398.86	\$530.77	\$532.96	\$623.37	\$625.56	\$623.37	\$625.56

Note: The Sick Leave Injury take home amounts are not reduced by union dues, additional health benefit costs, deferred compensation, etc.

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Individuals wishing information and committee schedules on the FY 2004 budget are encouraged to contact:

Legislative Budget and Finance Office
State House Annex
Room 140 PO Box 068
Trenton, NJ 08625

(609) 292-8030

Fax (609) 777-2442