

ANALYSIS OF THE NEW JERSEY BUDGET

**DEPARTMENT OF
PERSONNEL**

FISCAL YEAR

2005 - 2006

NEW JERSEY STATE LEGISLATURE

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DEPARTMENT OF PERSONNEL

Budget Pages..... C-12, C-20; D-307 to D-312

Fiscal Summary (\$000)

| | Expended FY 2004 | Adjusted Appropriation FY 2005 | Recommended FY 2006 | Percent Change 2005-06 |
|----------------|---------------------|--------------------------------------|------------------------|------------------------------|
| State Budgeted | \$30,414 | \$26,307 | \$25,701 | (2.3)% |
| Federal Funds | 314 | 0 | 0 | — |
| <u>Other</u> | <u>22</u> | <u>6,593</u> | <u>6,693</u> | <u>1.5%</u> |
| Grand Total | \$30,750 | \$32,900 | \$32,394 | (1.5)% |

Personnel Summary - Positions By Funding Source

| | Actual FY 2004 | Revised FY 2005 | Funded FY 2006 | Percent Change 2005-06 |
|-----------------|-------------------|--------------------|-------------------|------------------------------|
| State | 359 | 369 | 394 | 6.8% |
| Federal | 0 | 0 | 0 | — |
| <u>Other</u> | <u>37</u> | <u>50</u> | <u>65</u> | <u>30.0%</u> |
| Total Positions | 396 | 419 | 459 | 9.5% |

FY 2004 (as of December) and revised FY 2005 (as of September) personnel data reflect actual payroll counts. FY 2006 data reflect the number of positions funded.

Introduction

The Department of Personnel administers the personnel system for the Executive Branch of State government and provides personnel services to 20 of New Jersey's 21 counties, nearly 200 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

For FY 2006, a State appropriation of \$25.7 million is recommended for the Department of Personnel, down \$606,000 or 2.3 percent from the FY 2005 adjusted appropriation of \$26.3 million. The Governor's budget recommends a 1.5 percent or \$100,000 increase in the appropriation of Other Funds, to \$6.7 million. There are no capital construction or federal funds appropriations to this department.

- ! FY 2006 salary funding for State and Local Government Operations is reduced by \$500,000. The department plans to streamline its small group testing procedures in FY 2006, making it possible to achieve savings through efficiencies.
- ! Equipment funding is reduced by \$106,000 reflecting the completion of line-of-credit payments on prior equipment purchases.
- ! The appropriation of Other Funds increases by a net \$100,000. Receipts from training services provided by the Human Resource Development Institute are projected to increase by \$300,000. Promotional test application fees are projected to decline by \$200,000.
- ! The department's authorization to re-appropriate unexpended 2005 balances from fire fighter and law enforcement test fees is increased from \$600,000 to \$1.2 million. This may provide the department with sufficient resources to offset funding reductions noted above.

Background Paper

State Employment Trends

page 11

Program Description and Overview

The Department of Personnel was created pursuant to the "Civil Service Act" (Title 11A of the New Jersey Statutes), P.L.1986, c.112, as the successor to the former Department of Civil Service. The mission of the Department of Personnel is to attract, develop and retain a high quality workforce for State, county and municipal governments and to foster and maintain a fair hiring, promotional and human resources system for the State and local government entities. These services are provided to more than 700 separate appointing authorities. The department administers a merit system of personnel management for the central agencies of State government; for career non-academic employees at State colleges; and for more than 300 local jurisdictions, including 20 out of 21 counties and nearly 200 municipalities. The department serves a combined 190,000 employees Statewide.

The Department of Personnel is organized into five program classifications: (1) Personnel Policy Development and General Administration; (2) State and Local Government Operations; (3) Merit Services; (4) Equal Employment Opportunity and Affirmative Action; and (5) the Human Resource Development Institute.

The Personnel Policy Development and General Administration program exercises overall direction and control of the department's operations. This division is responsible for developing any proposal that may be necessary to revise laws governing the public career system. It also encompasses issuance of rules and regulations to implement the Merit System statutes, the development, evaluation and adjustment of personnel programs, and 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. The program is responsible for helping to recruit applicants by planning, scheduling and conducting merit system examinations. After such examinations are conducted, this office prepares lists of eligible candidates for State and local government positions.

This office is also responsible for the administration of the Senior Executive Service, various performance appraisals, and the monitoring and processing of all new hires and promotions to ensure compliance with Merit System rules. Finally, this office 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.

Merit Services includes the office that provides the professional, technical and clerical support services for the Merit System Board and the Commissioner of Personnel. The Merit System Board comprises the Commissioner of Personnel and four part-time members. The Merit System Board renders decisions on appeals; interprets Merit System rules; and amends rules and adopts new rules (after publication in the New Jersey Register for comment) as necessary. Staff are responsible for investigating and responding to appeals that the Board may consider and also resolve disputes by providing alternate avenues of resolution. Finally, this division 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.

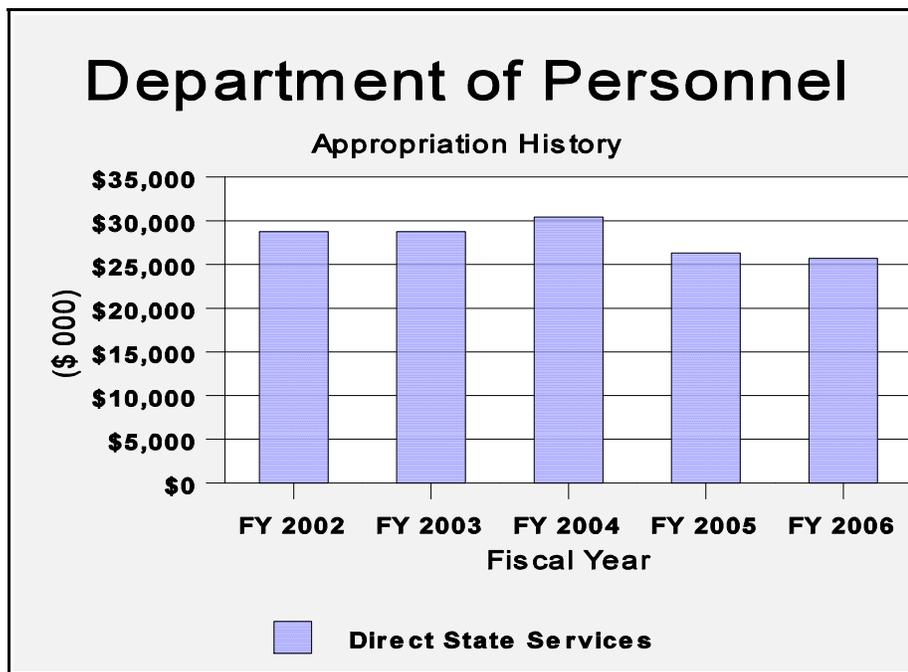
Program Description and Overview (Cont'd)

Equal Employment Opportunity (EEO) and Affirmative Action (AA) encompasses enforcement of federal and State laws against discrimination or harassment. This division helps ensure that each individual receives fair and equal treatment in employment practices and protection from discrimination.

The policies of the EEO apply to all employment practices, including recruitment and selection, hiring and assignment, training and career development, promotion and transfer, work environment, compensation and benefits, and layoff and termination.

The division also issues affirmative action policies and procedures that are designed to achieve equal employment opportunity. Staff acts to prevent, detect, correct and eliminate discrimination and helps ensure that qualified women and minorities are considered when organizations make employment decisions.

The Human Resource Development Institute (HRDI) compiles information on the human resource and training needs of State government and advises the Governor on human resources development and training plans, policies and programs. It also works with various State agencies to help prepare their human resource and training plans and programs. HRDI provides formal training courses in both common tasks and agency-specific subjects to employees of State government agencies. The services of the HRDI are offered to both State and local government agencies.



Note: For the chart above, FY 2002 - FY 2004 show expended amounts; FY 2005 is the adjusted appropriation, and FY 2006 is the recommended budget appropriation.

Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS (\$000)

| | Expended FY 2004 | Adj. Approp. FY 2005 | Recom. FY 2006 | Percent Change | |
|--|---------------------|----------------------------|-------------------|-----------------|---------------|
| | | | | 2004-06 | 2005-06 |
| <u>General Fund</u> | | | | | |
| Direct State Services | \$30,414 | \$26,307 | \$25,701 | (15.5)% | (2.3)% |
| 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 | \$30,414 | \$26,307 | \$25,701 | (15.5)% | (2.3)% |
| <u>Property Tax Relief Fund</u> | | | | | |
| 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 | \$30,414 | \$26,307 | \$25,701 | (15.5)% | (2.3)% |
| Federal Funds | \$314 | \$0 | \$0 | (100.0)% | 0.0% |
| Other Funds | \$22 | \$6,593 | \$6,693 | 30322.7% | 1.5% |
| Grand Total | \$30,750 | \$32,900 | \$32,394 | 5.3% | (1.5)% |

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

| | Actual FY 2004 | Revised FY 2005 | Funded FY 2006 | Percent Change | |
|------------------------|-------------------|--------------------|-------------------|----------------|-------------|
| | | | | 2004-06 | 2005-06 |
| State | 359 | 369 | 394 | 9.7% | 6.8% |
| Federal | 0 | 0 | 0 | 0.0% | 0.0% |
| All Other | 37 | 50 | 65 | 75.7% | 30.0% |
| Total Positions | 396 | 419 | 459 | 15.9% | 9.5% |

FY 2004 (as of December) and revised FY 2005 (as of September) personnel data reflect actual payroll counts. FY 2006 data reflect the number of positions funded.

AFFIRMATIVE ACTION DATA

| | | | | | |
|------------------------|-------|-------|-------|------|------|
| Total Minority Percent | 34.3% | 37.9% | 36.8% | ---- | ---- |
|------------------------|-------|-------|-------|------|------|

Significant Changes/New Programs (\$000)

| <u>Budget Item</u> | <u>Adj. Approp. FY 2005</u> | <u>Recomm. FY 2006</u> | <u>Dollar Change</u> | <u>Percent Change</u> | <u>Budget Page</u> |
|--------------------|---------------------------------|----------------------------|--------------------------|---------------------------|------------------------|
|--------------------|---------------------------------|----------------------------|--------------------------|---------------------------|------------------------|

Direct State Services

| | | | | | |
|--------------------|----------|----------|---------|--------|-------|
| Salaries and Wages | \$20,456 | \$19,956 | (\$500) | (2.4)% | D-311 |
|--------------------|----------|----------|---------|--------|-------|

This reduction reflects the department's intent to streamline small group testing procedures, thereby producing efficiency savings. Notwithstanding this reduction, staffing in State and Local Government Operations is projected to increase in FY 2006, indicating the availability of fees and increased prior year's balances.

| | | | | | |
|--------------------------------------|-------|-----|---------|----------|-------|
| Additions, Improvement and Equipment | \$106 | \$0 | (\$106) | (100.0)% | D-311 |
|--------------------------------------|-------|-----|---------|----------|-------|

This reduction reflects the completion of line-of-credit payments on prior equipment acquisitions.

All Other Funds

| | | | | | |
|---------------------------------------|---------|---------|---------|--------|-------|
| State and Local Government Operations | \$4,893 | \$4,693 | (\$200) | (4.1)% | D-312 |
|---------------------------------------|---------|---------|---------|--------|-------|

This FY 2006 recommended reduction in appropriated receipts for State and Local Government Operations reflects a slight decrease in the number of estimated candidates scheduled for promotional examinations in FY 2006 compared to FY 2005.

| | | | | | |
|--------------------------------------|---------|---------|-------|-------|-------|
| Human Resource Development Institute | \$1,700 | \$2,000 | \$300 | 17.6% | D-312 |
|--------------------------------------|---------|---------|-------|-------|-------|

This FY 2006 recommended increase in appropriated receipts to the Human Resource Development Institute reflects an estimated increase in the number of billable training sessions and contact hours.

Language Provisions

2005 Appropriations Handbook

P. B-152

Receipts derived from fees charged to applicants for open competitive or promotional examinations and the unexpected fee balance as of June 30, 2004 not to exceed ~~\$600,000~~ collected from firefighter examination receipts are appropriated, subject to the approval of the Director of the Division of Budget and Accounting.

2006 Budget Recommendations

P. D-312

Receipts derived from fees charged to applicants for open competitive or promotional examinations, and the unexpected fee balance at the end of the preceding fiscal year, not to exceed \$1,200,000 collected from firefighter and law enforcement examination receipts, are appropriated subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

The revisions to this budget language would permit the Department of Personnel to carry forward \$1.2 million in unexpended balances of receipts derived from the collection of law enforcement examination fees, an increase of \$600,000 over the FY 2005 amount. This revision reflects a change in the calendar for accepting examination applications and test administration. The department intends to begin accepting applications for the entry-level firefighter exam in May 2005, but will not commence testing until February 2006. The language will thus allow fees collected in FY 2005 to be available to offset FY 2006 expenses.



Discussion Points

1. In 2002, the Legislature passed an Early Retirement Incentive (ERI) program for State employees. P.L.2002, c.23 provided retirement incentives to approximately 11,000 State and 3,500 State college and university employees. Eligible employees included those age 50 or older with 25 years of service in the Public Employees' Retirement System (PERS), Teachers' Pension and Annuity Fund (TPAF), or Alternate Benefit Program (ABP) and those age 60 or older with between 10 and 25 years of service in one of these pensions. This latter group was divided into two categories, those with service between 10 and 20 years and those with service between 20 and 25 years. Data provided by the Division of Pensions and Benefits indicates that 4,664 State employees took advantage of this ERI.

! **Question:** a. If legislation were enacted to provide retirement incentives identical to those granted under the provisions of P.L.2002, c.23, with a retirement deadline of June 30, 2005, how many State and State college and university employees would be eligible for the program? Please provide this estimate together with total salary value for FY 2006, by department and institution. Based on historical experience, what percentage of this group of employees could be expected to leave State employment by July 1, 2005?

! **Question:** b. Historically, certain public safety and direct care provider positions are filled almost immediately following an ERI, due to the essential nature of their services. Of the total number of employees estimated to be eligible for an ERI, how many are employed in such positions and what is their estimated FY 2006 total salary value?

2. In the final days of former Governor James E. McGreevey's administration, contracts with eight unions representing State troopers and corrections officers were approved that will cost the State approximately \$25 million more for salaries in FY 2005. The *Star-Ledger* reports that the three State Police contracts call for pay increases of approximately 4 percent in each of the next four years. The corrections officers' contracts included a 13.5 percent wage increase for most employees over four years. However, senior officers are receiving a total pay increase of 18 percent because the contract includes an additional step after 11 years on the job. The Acting Governor is requesting supplemental funding of \$24.6 million in FY 2005 for these recently negotiated contracts. The FY 2006 Budget recommends \$140 million for salary increases for State employees as a result of all contractual obligations.

! **Question:** Provide the Legislature with a copy of each collective bargaining agreement between the State and its employees. Please summarize the changes that were made concerning the employee health care benefits program and other non-salary related items in the eight agreements with the troopers and corrections officers. Compare and contrast differences between the health care benefits contained in these eight collective bargaining agreements with other State employee collective bargaining agreements. Is legislation necessary to implement any of the provisions in these agreements? If so, please identify those provisions.

Discussion Points (Cont'd)

3. The FY 2006 recommended budget reflects a \$500,000 reduction in salary funding for efficiency savings associated with the administration of small group testing. According to position data (page D-310), staff in State and Local Government Operations, where testing activity is concentrated, is projected to increase to 297 compared to a funded position level of 278 projected for FY 2005 (FY 2005 Budget, page D-312).

! **Question:** Please describe and itemize the types of efficiencies the department will implement to achieve these proposed savings. Describe administrative changes that will be made to the small group testing program. How will the projected position growth be supported if salary resources are reduced?

4. A prominent topic in debates on state civil service reform is position classification. In short, state civil service systems have been criticized for too many position classifications. The National Commission on the State and Local Public Service has recommended a drastic reduction of the number of job classifications.

Between 1996 - 2003, as many as 30 states reduced their number of position classifications, and only six states reported an increase in the number. The number of classifications currently ranges from less than 400 in Massachusetts and Oklahoma to more than 4,000 in New Jersey and Georgia. Overall, 20 states now have fewer than 1,000 job classifications, while seven have less than 500.

The Council of State Governments "Book of the States 2004" reports that New Jersey, at 4,707, has the most job classifications of any state personnel system in the nation. Neighboring states such as New York (3,777), Connecticut (2,450), Pennsylvania (2,828) and Delaware (900) all have a lower number of job classifications. Florida consolidated more than 3,300 classes into 23 job families by implementing a broadbanding classification and compensation system in July 2002. The state of Washington recently approved reform legislation that will substantially reduce its number of job classifications beginning this year.

New Jersey has made progress in reducing the number of job classifications. In 1996, the Department of Personnel maintained 6,169 titles. More recently, the department abolished 478 titles in FY 2004. However, Budget evaluation data (page D-309) indicates that the number of abolished titles dropped to only 50 in FY 2005 and for FY 2006, the department plans to abolish 200 titles.

Several years ago the department announced its intention to broadband job titles. However, this effort appears to have failed.

! **Question:** Please discuss the status of the reduction in job titles, including the number and type of titles that have been abolished. What factors are obstructing the department from reducing the number of titles in a more rapid fashion? Please identify any areas where a proliferation of job titles hinders management flexibility. Ideally, what number of job titles would the department like to maintain? Does the department plan to implement a broadbanding classification and compensation system?

Discussion Points (Cont'd)

5. Recommended Budget language (page D-312) would appropriate an additional \$600,000 in unexpended balances from fire fighter and law enforcement examination fee receipts — from \$600,000 to \$1.2 million — to the department. As previously noted, there is also a reduction of \$500,000 recommended in salary funding for State and Local Government Operations, attributable to efficiencies.

! *Question:* Is the Department of Personnel facing a real reduction in resources for FY 2006 compared to FY 2005? How does the system or cycle for developing and administering public safety position examinations justify the need for reappropriation of unexpended balances of this magnitude?

6. The Human Resources Development Institute (HRDI) coordinates and provides training services for employees of State government agencies. The FY 2006 budget would provide the HRDI with appropriations of \$4.2 million and fee revenue of \$2 million. This \$6.2 million resource level would be sufficient to support 64 staff positions, and to deliver over 225,000 "contact hours", i.e., hours of training, to over 26,000 trainees; each quantity is a notable increase over recent years' output (Evaluation Data, page D-310).

! *Question:* a. What number of HRDI staff deliver direct training/instruction to trainees? What proportion of contact hours is provided by HRDI staff, and what proportion by private sector staff under contract with HRDI? What is the average or typical cost per contact hour delivered by an HRDI staff instructor and a private instructor, respectively? What accounts for the difference, if any? Please describe the process for selecting private sector persons and/or firms to deliver training services. Is the department confident that this process results in the lowest possible cost per trainee available in the market?

! *Question:* b. Using the most recent data available, please list the ten most frequently provided training courses, as measured by 1) contact hours and 2) individuals trained. For each course listed, please provide total contact hours, individuals trained, total cost of training. What proportion of contact hours was provided to each of the eight "EEO" job categories, e.g., professionals, office-clericals, technicians? By what process does HRDI review and revise its training catalogue to assure that course offerings are relevant to workforce training needs and effective in meeting those needs?

Background Paper: State Employment Trends

The size of the State workforce has increased annually since January, 2003, while the number of employees supported by State tax revenues has been declining. The data and analysis presented in this paper address total workforce trends. The other departmental budget analyses produced by the Office of Legislative Service address the staffing trends of individual departments.

Figure 1 displays, by funding source, the number of full-time State employees (including county court employees) from January 2002 through January 2005 as reported by the Department of Personnel, and the recommended number of funded positions for FY 2006. From January 2005 to FY 2006, the total number of State employees is projected to rise by 1 percent or 776 jobs to a total of 81,096.¹

Figure 1

Employee Staffing Level - Positions By Funding Source

| | Full-Time Employees Jan 2002 | Full-Time Employees Jan 2003 | Full-Time Employees Jan 2004 | Full-Time Employees Jan 2005 | Funded FY 2006 | Percent Change Jan 2005 - Funded FY 2006 |
|-----------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|-------------------|--|
| State - General | 59,216 | 57,943 | 57,806 | 54,573 | 53,745 | (1.5)% |
| Other Funding | <u>19,065</u> | <u>18,348</u> | <u>21,492</u> | <u>25,747</u> | <u>27,351</u> | <u>6.2%</u> |
| Total Staffing | 78,281 | 76,291 | 79,298 | 80,320 | 81,096 | 1.0% |

January 2002 - 2005 data provided by the Department of Personnel, Workforce Profile. FY 2006 data reflect the number of positions funded in the Governor's budget proposal.

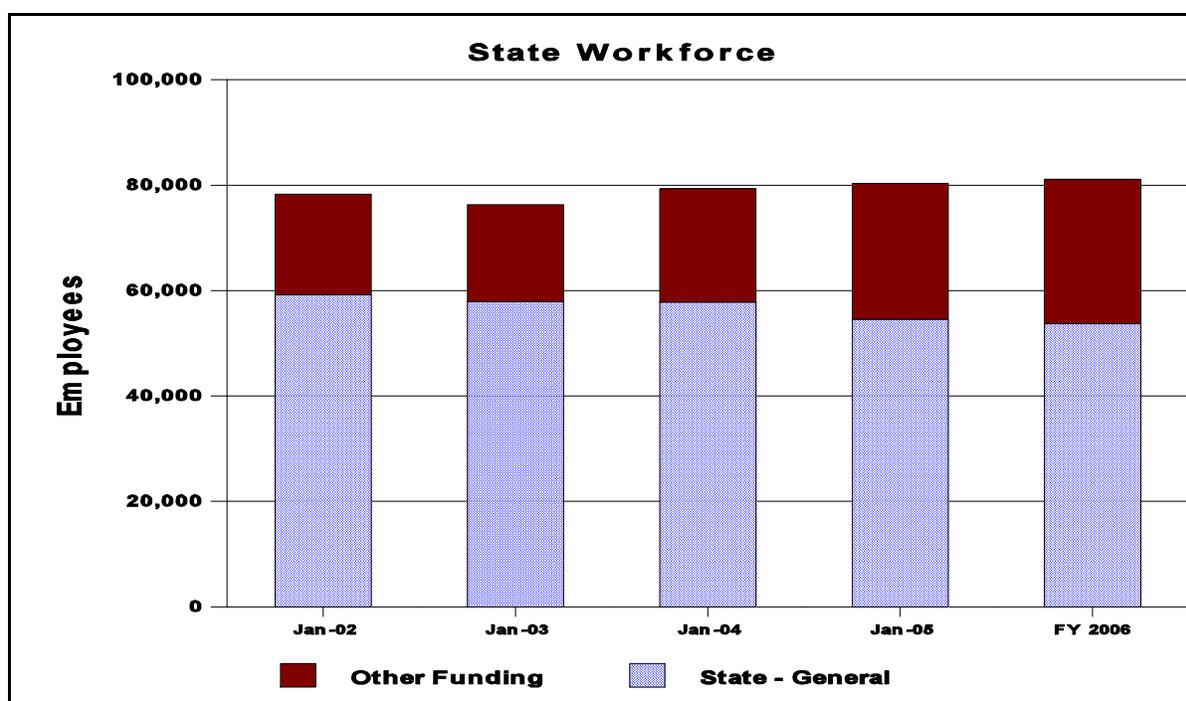
In January 2002 the State workforce totaled 78,281 full-time employees. The workforce declined to 76,291 in January 2003, reflecting the immediate impact of the Early Retirement Incentive (ERI) program. The Administration stated that it expected to replace about 50 percent of the 4,664 State employees who participated in the ERI. Accordingly, absent any other hiring, a growth in employment of about 2,332 would be expected. However, the resumption of hiring began almost immediately and by January 2005 the total number of State employees had risen to 80,320, an increase of 5.3 percent, or more than 4,000 employees since January 2003.

¹ This recommendation assumes an attrition of 500 positions from the State workforce. Should this attrition program fail to materialize, the number of employees would rise to 81,596 or 1.6 percent over the number of employees recorded in January of this year.

Background Paper: State Employment Trends (Cont'd)

Figure 2 graphically illustrates the second and complementary trend in the State workforce: increasing reliance on other funding sources for support of employees. The Department of Personnel distinguishes between employees supported by "State - general" (primarily state tax revenues) and those supported by "other funding sources" (federal funds or dedicated state revenues, such as fees or trust funds). Figures 1 and 2 each show that the number of employees supported with State - general revenue has declined absolutely and as a percentage of the overall workforce. During these years the overall number of employees rose, while the number of employees funded from State - general declined.

Figure 2



In January 2002, approximately 75.6 percent of a workforce was supported with State - general funds. By January of this year, State - general funded employees declined to 67.9 percent of the total workforce. For FY 2006, the Governor proposes to fund only 66.3 percent of the workforce through the State - general revenue stream.

The decline in absolute terms is clear as well. In January 2002, 59,216 positions were State - General funded. By January 2005, this number had declined by 7.8 percent to 54,573. For FY 2006, the number of State - General funded positions is projected to decline by another 1.5 percent, to 53,745 employees. At the same time, the number of employees paid through Other Funding sources rose by 35 percent, from 19,065 in January 2002 to 25,747 in January 2005. These positions are projected to rise by another 6.2 percent, to 27,351 employees in FY 2006.

Background Paper: State Employment Trends (Cont'd)

FY2006 Recommended Positions

An alternative method for tracking the number of state employees is to count the number of pay checks issued. The Governor has recommended a total of 81,096 full-time positions for funding in FY 2006, up 2,706 positions or 3.5 percent, over the 78,390 full-time pay checks that were issued in January 2005. This funding level would reflect an increase of 10.6 percent, or 7,741 employees since January 2003 following most departures under the Early Retirement Incentive (ERI).

As is the case in FY 2005, the largest single increase in employees is for the State's Child Welfare Reform effort. Compared to the January 2005 pay period, FY 2006 funding will allow the number of employees to increase by 1,016, taking into account both State and other funding sources. The FY 2006 Budget includes funding for a net increase of 247 State troopers after attrition and retirements are considered. An increase of 139 positions for the Department of Military and Veterans' Affairs is due to projected hiring at the veterans' nursing homes. The growth of 304 for the Motor Vehicles Commission represents continuation of upgrades to the agencies in order to improve access, security and customer service.

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Individuals wishing information and committee schedules on the FY 2006 budget are encouraged to contact:

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