BUDGET QUESTIONS FOR ALL DEPARTMENTS AND UNITS

1. For each line item reduction in the department’s or unit’s budget, specify the change, if any, in the nature, breadth or level of service or benefit that will be provided and identify and quantify the population that may be affected.

- Business Employment Incentive Program – The FY2011 budget keeps the funding for the BEIP program flat to FY2010 spending. EDA is able to fund the disbursements that are currently in backlog and under review with the funding provided in the FY2011 appropriation.

- InvestNJ program funding reduction: Over 1,350 applications were submitted for the job creation and the capital investment reimbursement portion of the program, many of which were wait-listed. Approximately $70,000 was disbursed for capital investment grants to three companies. All other applicants were notified following the FY2011 budget message that they would not be benefitting from the program. Attached is the list of those applicants that had received allocation letters acknowledging receipt of pre-application and noting the level to which the project could be funded should they meet eligibility requirements.

- Reduce staff and General Expenses by $252,000: EDA will reduce staff and its general expenses in order to meet this budget reduction proposal. (See related information in response to Question #2)

- Small Business Development Centers – Reduction of $250,000. Funding for the SBDC’s of $250,000 will not be provided through the General Fund. However, there will be funding provided for the SBDC’s through a contract with the Schools Development Authority (SDA), whereby SBDC’s will work with small businesses/contractors to improve their access to the construction trades. In addition to the SDA contract, they have also received the contract for providing similar small business contracting services to the NJ DOT and to NJ Transit. The DOT monies are an allocation from the federal DOT. In addition, several SBDCs located in Urban Enterprise Zones (UEZ) receive direct funding through the UEZ program. Given the support from these entities, it is not envisioned the business constituencies served by the SBDC’s will be impacted.

- Outreach/marketing of the State – Reduction of $178,000. It is envisioned that within the next calendar year, other private sector initiatives will be implemented to support the marketing of New Jersey.
Eliminate Open Account Position, savings of $80,000. As part of the Business Retention and Attraction Division (aka Division of Business Assistance, Marketing and International Trade -BAMIT), EDA has had an open position for an account executive. The position has been vacant since June 2009 and EDA has not filled the position with an eye on budget savings.

Bio International Conference Sponsorship – Elimination of $25,000. This sponsorship supports the BioNJ trade association’s international conference that is held each Spring. Although the organization will need to find additional support without the State’s traditional annual sponsorship, the impact to the business community or other constituencies outside of this trade group is not tangible.

2. For each line item reduction in the department’s or unit’s budget, please indicate the number of positions (budgeted, funded and filled or unfilled) that will be eliminated and the number of individuals whose employment will be ended. If appropriate distinguish between staffing actions that may occur before and after January 1, 2011.

The proposed FY2011 budget calls for a $786,000 reduction in funding for the activities of the Business Retention and Attraction Division (aka the Division of Business Assistance, Marketing and International Trade-BAMIT) for FY2011. As part of this overall reduction, the proposed budget calls for a $252,000 reduction in general expenses and staffing. As part of that reduction, the EDA will reduce general expenditures as well as eliminate one funded BRAD position through attrition following a retirement which will occur in June 2010.

3. Please identify any reductions in the department’s or unit’s budget that constitute one-time savings that are not likely to recur in Fiscal Year 2012.

N/A

4. Please identify each Fiscal Year 2010 mid-year reduction that is recommended for continuation in Fiscal Year 2011.

See response to Question #5.

5. Are any of the appropriations recommended for Fiscal Year 2011 required to compensate for the effects of Fiscal Year 2010 reductions? If so, please identify and explain.
• The FY2010 mid-year budget solutions called for a recapture of unexpended funds originally allocated to EDA for the Main Street Business Assistance Program, which provides access to capital for small businesses through partnerships with banks through loan participations, loan guarantees and line of credit guarantees. The FY2011 budget-in-brief notes that $22 million originally allocated for the InvestNJ program will be reallocated to EDA for capitalizing the Main Street Business Assistance Program. As advised by the Division of Law, Office of the Attorney General, legislation will be required to effectuate this reallocation.

6. Please list any anticipated increase in fees, fares or co-payments that are reflected in the FY 2011 budget recommendation, including the amount of revenue or cost reduction, and the intended effective date.

No increased fees, fares or co-payments are reflected in the FY 2011 budget recommendation. However, EDA may request a statutory change to obtain greater flexibility in charging reasonable fees for service. Over time, EDA has been restricted from charging applicants fees to support administration of programs unless the enabling legislation that created the program has provided for the fees. Other authorities have broad flexibility to charge reasonable fees (promulgated through rules) to support operations. EDA is requesting to be treated similarly.

7. If additional revenues were to become available during the budget process, which one or two reductions proposed for the department or unit should be top candidates for restoration? Please justify your selections.

The Governor’s proposed Fiscal year 2011 budget represents the culmination of many tough choices that had to be made in order to balance spending and revenues for next year. The funding proposed for EDA programs and for the EDA’s Division of Business Retention and Attraction Division (aka the Division of Business Assistance, Marketing and International Trade - BAMIT) while reduced, will allow it to meet its core missions and provide vital services to residents and businesses in the State.

In the event that additional revenues become available during the budget process, the EDA would welcome the opportunity to work closely with the Legislature to restore funding for important programs. The EDA believes that any such restorations should be considered in the context of programs and spending needs throughout the State budget, not only those administered by the EDA. We look forward to consulting with the Legislature to ensure that only the programs of greatest value are restored.

8. Please identify proposed budget reductions which require Federal approvals, waivers or similar actions, and the timetable for seeking and obtaining approvals in order to achieve the projected savings. Please indicate whether approvals/waivers have been previously sought and not obtained, and explain why approvals should be expected in this case. If federal approval is not received, what alternative actions
may have to be taken to achieve savings of comparable value? Please also identify proposed budget reductions that may reduce the receipt of federal funds, and the estimated loss of federal funds that would result from such reductions.

N/A

9. Please describe how the department or unit implemented mandatory workforce furloughs in FY 2010, identifying the amount saved and the proportion of the workforce exempt from furloughs, and detailing the impact on individuals or firms served by or regulated by the department.

- The EDA as an independent, self-supporting authority made the business decision not to furlough employees in order to continue our mission of providing assistance to New Jersey businesses in an extremely challenging economic climate. We have operated with a reduction in budgeted headcount while implementing new programs, several of which were newly authorized by the NJ Legislature in 2009 in order to stimulate the economy.

10. The Budget in Brief references savings to be achieved both through privatization and “insourcing.” Please identify savings in your budget associated with either of these initiatives. Please provide examples of successes or failures of such initiatives in prior years.

Below are examples of EDA staffing actions in the past that have led to cost savings in operations. Note, however, that there is nothing in the FY2011 proposed budget reductions for EDA that contemplates insourcing or privatization.

- In 2008, EDA took steps to “right size” our Information Technology department. This right-sizing resulted in division head count reduction from 17 to 10 employees. Prior to the right-sizing, EDA had more than 40 computer servers providing support for our operating systems. Through various techniques of consolidation and virtualization, EDA was able to reduce our server count from 40 to 9. Note that this efficiency was realized at the same time that EDA consolidated with the former Commerce Commission, which increased our head count along with our IT needs.

- In the EDA’s CY2009 budget, EDA’s IT department was able to realize a savings of at least $200,000 by discontinuing use of outside firms to support our computer systems, instead doing the installation, maintenance, and support in-house. EDA was able to undertake this “insourcing” by building the internal skill sets of our IT employees and taking advantage of unrealized skills of those already within the department.

- Since 2007, EDA’s Human Resources Department has instituted cost savings by reducing the use of administrative temp services. By “insourcing” the activities
undertaken by temp services in the past, the EDA’s HR team reduced administrative costs for this activity by nearly 50-percent over 2 years. (Temp services costs in 2007 were nearly $94,000 annually, while temp services costs in 2009 were $45,000.)