BOARD OF PUBLIC UTILITIES
PROPOSED RESPONSES
FY 2012 OLS BUDGET QUESTIONS

1. The FY 2011 budget required all departments to cope with reduced appropriations. In some instances these reductions could be handled through improved efficiency and operational adjustments. In other instances less money resulted in programmatic reductions, including both fewer recipients and reduced benefits. Please provide examples of operational improvements in your department that saved money in FY11 and provide examples where less government meant reduction in services.

The Board of Public Utilities (BPU) continues to carefully manage the resources appropriated for agency purposes in the FY 2011 appropriations act. As part of these ongoing management efforts, for the first time, the BPU along with all of the state's other major departments and agencies is publishing data providing insight into agency priorities and performance, including how resources are allocated across the agency's core mission areas. In this regard, the agency posts up-to-date performance data or metrics every month related to identified core mission areas, available at http://www.yourmoney.nj.gov . This performance measurement reporting is the first step in an ambitious, multi-year performance improvement and efficiency program known as the "Governor's Performance Budgeting Initiative." The goals of the initiative include ensuring that budget priorities align with departmental and agency missions, focusing managers on achieving positive results and outcomes for citizens, clients, and taxpayers, and building a culture of innovation and continuous improvement, while making government more transparent and accountable.

More specifically, an analysis of agency expenditures and priorities revealed areas that required adjustment during FY 2011 that have resulted in current year savings and will extend into future fiscal years. An analysis of agency annual lease costs revealed that relocating staff from Newark to Trenton will result in a estimated reduction to ratepayers in excess of $800K during FY 2012 and will continue to be a reoccurring annual savings in future fiscal years. The complete relocation of staff to Trenton will be finalized during July, 2011. Additional cost savings and operational efficiencies will be achieved from the consolidation of agency operating divisions. A consolidation of the Cable and Telco Divisions operational functions is under active consideration.

2. The FY 2011 budget included reductions requiring Federal approvals, waivers or similar actions in order to achieve the projected savings. Please identify each such reduction in your FY 2011 budget, and indicate whether approvals/waivers have been obtained, If not, please explain whether approvals are still expected in this case, and if so, why. If federal approval is not received, what alternative actions may have to be taken to achieve savings of comparable value?

No federal action is required.

3. The revised budget plan for Fiscal Year 2011 requires appropriation lapses of $605 million to achieve a

balanced budget and an ending surplus. Please list all appropriation items and amounts in your agency's chart of accounts that have been identified to contribute to that lapse target. Please describe the impact of each lapse on the nature, breadth or level of service or benefit provided by each appropriation, and identify and quantify the population that may be affected. Please also identify the amount of FY 2012 funding, if any, recommended to restore, in part or in full, the lapsed amount.

The Office of Management and Budget has submitted under separate cover the list of anticipated lapses totaling $605 million. This amount represents under spending by departments due to their diligence and oversight in managing their budgets. In addition, oversight of discretionary spending and hiring has led to surplus balances.

4. The FY 2011 Appropriation Act assumed savings of $50 million from privatization initiatives. Please describe all privatization initiatives undertaken/to be undertaken by your department, and specify the effective date, the amount of savings in FY 2011 and FY 2012, respectively, and the reduction in positions, filled and vacant. Please also indicate the private vendor(s) involved in the initiative, and the quantity and quality of services required of the vendor(s) relative to the quantity and quality provided by the department prior to privatization.

It has been a top priority of the administration that all state departments and independent authorities carefully explore a variety of opportunities to improve efficiency, reduce the cost of government services, and right-size government's footprint in New Jersey. Among those opportunities are those that would privatize, outsource or otherwise make available a service previously provided by government employees via the private sector – but only if it can be done more efficiently and less expensively. The Zimmer Commission report did not make any recommendation regarding the NJBPU. The BPU is currently exploring privatization as a viable option for programs administered under its legislative mandate.

5. For each line item reduction in the department's or unit's FY 2012 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.

In developing the FY 2012 budget, the BPU worked cooperatively with the Treasurer and treasury staff to identify core departmental mission areas and, consistent with law, to allocate limited budget resources with reference to those core priorities. Developing the budget in this manner, from the bottom up, recognizes fiscal realities while at the same time focusing available funding on key priorities and mission areas.

More specifically, as outlined in the budget summary, during the FY 2012 budget process the BPU has continued to identify areas where cost saving measures can be realized for the benefit of the ratepayers without compromising the agency's core mission and responsibilities. As previously mentioned, the full financial benefit will be realized during FY 2012 from the physical relocation of staff from Newark to Trenton, as well as the potential for continued savings from divisional consolidation. Careful examination of programs that support the agencies mission and service to ratepayers empowered the BPU to reduce costs in certain areas. Specifically, through the maturation of the Clean Energy Program the agency has been able to take advantage of efficiencies and program improvements that has significantly reduced administrative costs. This initiative has led to a more effective use of available financial resources for capital projects.

7. In his budget address, the Governor stated that "Zero-based budgeting...has finally come to New Jersey." This would mark a change from budget processes used in other years. Please provide examples of how the

recommended budget for your department is substantively different than it would have been if the budget had been developed by the procedures used in prior years.

Although New Jersey experimented with a form of zero-based budgeting in the 1970s under Governor Byrne, more recent budgets were constructed primarily in an incremental manner. This process typically involved almost automatic acceptance of most if not all of the previous year's expenditure levels and then incrementally increasing or decreasing them to correspond with available revenues, without regard to performance. Rather than layering new upon old, zero-based budgeting requires a comprehensive system of planning, analysis, and control requiring assessment, reassessment, and justification of agency operations and spending priorities from the ground up. Zero-based budgeting is primarily a management tool as opposed to an accounting method, and focuses on whether current departmental activities are efficient and effective in delivering timely, high quality services within core mission areas.

10. Please list any anticipated increase in fees, fares or co-payments that are reflected in the FY 2012 budget recommendation, including the amount of revenue or cost reduction, and the intended effective date.

The FY 2012 proposed BPU budget does not anticipate any new or increased fees, fares or co-payments.

11. Please identify proposed FY 2012 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.

No federal action is required.

As of March 28, 2011