

**OFFICE OF LEGISLATIVE SERVICES
ANALYSIS OF THE NEW JERSEY BUDGET
FISCAL YEAR 2011-2012**

**BUDGET QUESTIONS FOR
THE DEPARTMENT OF COMMUNITY AFFAIRS**

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 Department of Community Affairs continues to carefully manage the resources appropriated for departmental purposes in the FY 2011 Appropriations Act. As part of these ongoing management efforts, for the first time, the department along with all of the State's other major departments and agencies is publishing data providing insight into Departmental priorities and performance, including how resources are allocated across the department's core mission areas. In this regard, the department posts up-to-date performance data or metrics every quarter 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.

The Department of Community Affairs, more specifically, continues to review processes and systems with the goal of enhancing program operations and gaining efficiencies. Two examples of operational improvements at DCA are the Urban Enterprise Zone business certification portal and the use of email for construction plan review comments.

Urban Enterprise Zone Business Certification Portal

The FY 2012 Budget Plan maintains all UEZ zone business tax benefits and incentives for eligible zone businesses while eliminating the funding of the Enterprise Zone Assistance Fund. The elimination of zone funding will necessitate the elimination of UEZA staff and zone staff involved in the enrollment of zone businesses in the program. Zone assistance funds, when exhausted, will no longer support 99 zone employees.

By streamlining and simplifying the business certification process, a reduction in the staffing requirement at the zone and DCA level will be achieved while continuing to support business participation in the UEZ incentive program through a new internet based zone business certification and reporting service. The service will be accessed through the New Jersey Business Portal. This feature will be designed to be business friendly, help cut red tape, and be available on July 1, 2011. DCA expects an increase in current levels of business participation through this method.

This streamlined system will also allow UEZ incentives to be coordinated with New Jersey's other economic development and business retention incentives and featured through the New Jersey Business Portal thereby increasing access by zone businesses. The goal is to expand the opportunity to attract new firms and to retain or expand existing businesses in the zones. These changes are in keeping with the independent study's recommendations that the program be streamlined, be made less burdensome, and be less cumbersome for zone businesses.

In transmitting the independent UEZ Study to the Treasurer we noted that DCA did not support the recommendation in the Study to eliminate the tax benefits contained in the UEZ program and that retaining same would help encourage zone business retention and expansion.

Construction Project Plan Review - Electronic Communication

The Department reviews plans for casinos, health care facilities, State buildings -- including projects undertaken at our State universities -- and any project where the local officials are not licensed at the appropriate level to undertake the review. One change made by the Department is making a significant difference in the speed with which we are communicating with permit applicants: the back and forth of comments and responses on construction plans under review are now carried out by e-mail. The use of e-mail for this purpose shortens the time between plan submission and final release. In several instances, the use of email has reduced the traditional postage service lag time by upwards of 20 days. The Department staff is encouraging local code enforcement agencies to follow suit and to use electronic communications to the maximum extent possible.

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. In some cases, funds that were not needed in FY 2011 to fund programs and services will be necessary in FY 2012.

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.

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. Following the issuance of the findings contained in the Zimmer Commission Report, numerous recommendations, either identified in that report or by the Administration before and after the release of that report, have been in various degrees of implementation. An example of a privatization initiative in DCA is the contracting of temporary professionals to address peak workload periods in the Division of Codes & Standards.

In FY 2011, the Department of the Treasury awarded a DCA-specific contract for Temporary Professional Employment Services. Through the contract, Joule Technical Staffing Inc., a private vendor, will provide certified individuals to perform housing inspections. The State's multiple dwelling inspection program requires that each of the over 900,000 units be inspected every five years. The inspection cycle is not evenly distributed over the five years ranging from an annual low of about 134,000 units to a high of 219,000. The Department will use staffing from the private vendor to manage the peak periods in the inspection cycle. Staffing supplied by a private vendor provides a reliable source of inspectors while alleviating the Department's human resource staff of the burden of recruiting and processing state workers. Savings, as measured against the need for full time staff, will accrue during FY 2012.

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 Department of Community Affairs 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, there are three (3) line item reductions in the Department of Community Affairs' budget recommendation:

COAH (\$1,240,000)

The Department anticipates legislative action to change the method for determining the need for affordable housing in the State. The change will result in reduced Departmental staffing requirements.

Urban Enterprise Zone Authority (\$850,000)

Based on the results of an independent study, the FY 2012 Budget recommends maintaining all UEZ zone business tax benefits and incentives for eligible zone businesses while eliminating the funding of the Enterprise Zone Assistance Fund. These changes will necessitate the elimination of UEZA staff. The \$850,000 line item reduction represents the requirement for less administrative funding resulting from the elimination of staff.

Transitional Aid to Localities (\$10,000,000)

This program, created in FY 2011, replaced three municipal aid programs – Extraordinary Aid, Special Municipal Aid and Trenton Capital City Aid. The Transitional Aid to Localities program is part of a reform effort to increase the efficiency, effectiveness and accountability of local governments statewide. The program is intended to provide temporary financial assistance to municipalities with the goal of returning the towns to self-sufficiency.

6. For each line item reduction in the department's or unit's FY 2012 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. Please also indicate areas where funded and/or filled positions are projected to significantly increase, and the justification (s) for those increases.

OMB will provide the response to this question for all agencies.

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 departmental 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.

The study of the UEZ Program is an example of the use of zero-based budgeting in DCA. The study was designed to examine the program's legislative goals and objectives and to determine if they were being met and at what cost to the taxpayer. Based upon the study, reductions in program overhead will be achieved with little impact on participating businesses.

8. Please identify any reductions in the department's or unit's FY 2012 budget that constitute one-time savings that are not likely to recur in Fiscal Year 2013.

OMB will provide the response to this question for all agencies.

9. Are any of the appropriations recommended for FY 2012 required to compensate for the effects of Fiscal Year 2010 or FY 2011 reductions? If so, please identify and explain.

OMB will provide the response to this question for all agencies.

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 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.

12. In a FY 2011 OLS Discussion Point response, the Department stated that it expected to implement "an online service delivery database and forum for local officials to share information on how they deliver services in an effort to promote opportunities." Please report on the status of this project.

The online service delivery database program anticipated in the FY 2011 OLS Discussion Point response has been cancelled. The department determined that the NJ League of Municipalities maintains a similar web site devoted to providing samples of shared service agreements on a wide range of subject matters and that the League's site provided sufficient information and data.

13. In a FY 2011 OLS Discussion Point response, the Department indicated that although the rescission of Special Municipal Aid program funds eliminated the resources to conduct a second round of audits of municipalities that received Special Municipal Aid in FY 2009, administrative funding in FY 2011 would allow relevant audits to proceed. Please indicate what amount of funding has been made available, the status of audits of the referenced municipalities, the cost of each audit performed or contracted to be performed, and whether the audits are public information.

Administrative funding has not been used to perform follow up audits to the 2009 audits delivered. The performance audits were intended to provide the Department with a tool for measuring compliance with MOUs executed by the municipalities participating in the program. Audits by definition are performed as an after-the-fact activity. The Department is utilizing administrative funds to retain staff with substantial municipal experience to provide ongoing monitoring activities.

14. In a FY 2011 OLS Discussion Point response, the Department projected total FY 2011 expenditures for the State Rental Assistance Program (SRAP) of \$48.4 million, and expressed its intent to maintain 4,318 tenant-based vouchers and to continue to replace households who leave the program with applicants from the waiting list. It also stated that it would award 17% of the annual SRAP allocation for project-based vouchers and continue to honor project-based voucher contracts. Please update this spending projection, and provide, for the tenant-based portion of SRAP, the average-per-month number of households that have received assistance and the average-per-month level of assistance thus far in FY 2011. Please also provide the same information for the project-based portion of SRAP.

As of March 2011, the State Rental Assistance Program (SRAP) has 4,314 active vouchers – 3,638 tenant-based with an average monthly expenditure of \$3.03 million, and 676 project-based with an average monthly cost of \$434,000. It is projected that SRAP voucher expenditures will be \$41.6 million at the end of the fiscal year. DCA did not award any new project-based voucher contracts in FY 2011, but continues to honor project-based voucher contracts executed in prior fiscal years. The average number of project-based vouchers activated monthly is four (4).