

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

BUDGET QUESTIONS FOR ALL DEPARTMENTS AND UNITS

- 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 Corrections (DOC) 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 DOC 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 DOC 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.

Additionally, the department instituted a performance based management model called CHANGE - Challenge Historic Assumptions Nobly Generating Efficiencies. The CHANGE process is modeled after the successful NYPD CompStat program and enhances transparency within the DOC. CHANGE is a system designed to measure and manage the performance and fiscal impact of all DOC institutions in four general areas: security, administration, programs and medical/mental health services. Open dialogue meetings are held monthly to closely monitor the performance of individual facilities and the department as a whole. Best practices highlighted by this process are utilized department-wide.

More specifically, in fiscal 2011, the Department of Corrections implemented several improvements to manage the institutional and county jail populations. Relating to county jail efficiencies, in November 2009 the county jail population was 1,552; the current population is 426 (3/21/11) this reflects a reduction of 1,132. This reduction was initiated through internal assessments of procedures relating to the movement of state sentenced inmates from the county jails to the DOC institutions. Once the internal

procedures were reviewed and operational changes instituted, the DOC reached out to the State Parole Board and the Administrative Office of the Courts to obtain their assistance in the roles they play when sending inmates and parolees to county jails.

In conjunction with the assessment of county jail management, the DOC instituted a comprehensive study of the bed configurations in the institutions. Through double bunking, closure of “specialty” units and changes in bed classification, the DOC was able to maximize the use of institutional beds and reduce the amount of inmates in the county jail.

- 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 underspending 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.

The FY 2012 Department of Corrections budget does not include funding to restore any lapsed amounts.

- 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.

Following the issuance of the finding 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. For example, some of the RFPs that have already been released include:

- The Department of Corrections has released an RFP for a vendor to run a pilot food services project at one Adult Correctional Facility as a way to determine if it can save substantially and provide healthier food service options throughout the correctional facility system.

The Administration also is moving responsibility in other areas of government to reform a variety of enterprises whose operation can be provided by the private sector, including:

- The Department of the Treasury, after a task force involving both the Executive Branch and Legislature agreed to the initiative, is working to turn NJN into a private, non-profit broadcasting entity with no state subsidy.
- Leases with private vendors for the operation of Monmouth Park and Meadowlands Racetrack are currently being negotiated.

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 Corrections 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, the DOC recommended budget included:

Elimination of Civilian Funded Vacancies (53) \$3.9 million
Department will prioritize the hiring of vacant positions throughout the fiscal year.

Elimination of Custody Funded Vacancies (48) \$3.1 million
The reduction of 48 custody positions will result in a reduction to the number of General Assignment officers at each facility. Future Recruit classes will reduce in size accordingly. Note, there is no impact on security staffing in the institutions.

Savings from elimination of Sick Leave Injury \$8.9 million

Without Sick Leave Injury (SLI) payments, salary replacement would no longer be paid by the Department of Corrections. Historically, the Department has nearly 500 SLI approved claims per fiscal year. The SLI program is terminated State-wide effective 7/1/11.

Medical Contract Reduction \$5.3 million

No impact on level of medical/mental health services provided to inmates. Savings reflect the application of industry standards regarding credentialing in psychiatric units and establishing pharmaceutical formulary controls in position consolidations and other changes.

Adjustment for County Jail population reduction \$0.9 million

No impact.

- 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.**

Response to be provided by Office of Management and Budget.

- 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. One important example of this approach for FY 2012 involved the support of New Jersey's hospitals. After undergoing a thorough, bottom-up examination of the policies and goals of the State with regard to hospital funding, the Governor's FY 2012 budget recommends increasing funding for hospitals by \$20 million while, at the same time, revising the charity care, hospital relief, and graduate medical education formulas to improve efficiency and predictability.

As an example, the Department of Corrections convened an internal study group in conjunction with UMDNJ to reassess the delivery of health care services provided to the inmates. Through this approach, the DOC identified savings of \$5.3 million through the consolidation of units, application of industry standards regarding credentialing in psychiatric units and establishment of pharmaceutical formulary controls with no reduction in the quality of care. Additional savings of \$0.9 million was also recommended in the GIA County Jail account associated with a decrease in the county jail population due to increased bed space availability in the DOC institutions created by the consolidation of two health care units.

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.

Response to be provided by Office of Management and Budget

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.

Response to be provided by Office of Management and Budget

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 fiscal year 2012 proposed 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.