

**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 Education 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 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, the Department looked across the board at efficiencies and operational adjustments that resulted in a reduction to our direct state services budget of almost \$3.9 million.

Responses to Budget Questions for all Departments and Units

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?

The Department of Education anticipates the receipt of \$852 million in federal funds. We are closely monitoring the status of federal waivers. If they do not materialize as planned, we will work with the Governor's office and OMB to take whatever steps are needed to make certain that the budget is balanced.

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 (OMB) 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. 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.

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 Department of Education is continuing to look for just those opportunities.

Responses to Budget Questions for all Departments and Units

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 FY2012 Budget, the Department of Education 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 remaining \$3 million allocated for the New Jersey After 3 non-profit group was removed from the Budget this year, completing the 2011 goal of the Governor and the Legislature to phase out State support and move the program to financial independence as a self-sustaining non-profit agency. The program now provides support to New Jersey non-profit organizations to operate afterschool activities for 5,000 children.

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 will be provided by OMB.

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 services within core mission areas.

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 will be provided by OMB.

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 will be provided by OMB.

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.