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 Higher Education Student Assistance Authority (HESAA) 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, HESAA along with all of the State's other major departments and agencies will be publishing data providing insight into agency priorities and performance, including how resources are allocated across the agency's core mission areas. In this regard, HESAA will post 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. HESAA has been able to reduce the need for state support of its administrative function by using revenue generated from non state and federal funding sources. The amount of State support for this administrative activity has been declining over the last several years. HESAA now supports its administrative functions out of the revenue generated from non-state programs such as the NJCLASS supplemental loan program and the Federal Family Education Loan Program. HESAA continues to invest in web-based software and other electronic processes for the transmission of data and funding as a means of increasing staff productivity without diminishing services to students and families.**

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?

HESAA's FY 2011 budget did not include any reductions that required federal approvals or waivers to implement.

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 and agencies 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 fiscal year 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.

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.

HESAA, which operates under a governmental enterprise model, has not undertaken any privatization initiatives for FY 2011.

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, HESAA 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, funding for HESAA programs is proposed for reduction as follows:

NJSTARS I and II - $4,722,000:

NJSTARS II awards will be awarded in the amount of $1,250 a semester for new recipients and can be used at any four-year institution in New Jersey. School matching requirement eliminated.

Coordinated Garden State Scholarship Program - $2,037,000:

There are no awards to non-renewal students

Veterinary Medical Education Program - $32,000:

Program continues to be phased out. Only the third and fourth cohorts are funded.

Teaching Fellows Program:

Program is not funded.

Social Service Student Loan Redemption Program:

Program is not funded.

Direct State Services - $682,000:

As previously discussed, a direct state service appropriation is no longer required. Fourteen state positions are proposed to be funded utilizing federal and other funds (thirteen to federal funds and one to dedicated funds)

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.

A response will be provided by the 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 HESAA 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 agency 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 restructuring of the NJSTARS program. After consultation with the higher education community these programs were redesigned to ensure their value to New Jersey students.

The Governor's FY 2012 budget recommends targeted increases to the Full and Part-time Tuition Aid Grant programs which provide need-based aid to disadvantaged New Jersey Students. As outlined above several other of the Authority's programs are being phased-out in order to provide resources to the highest priority need-based programs.

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.

A response will be provided by the 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.

A response will be provided by the 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 HESAA 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.

None of the budget reductions proposed for HESAA require Federal approvals or waivers.