DEPARTMENT OF THE TREASURY

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

Budget Questions for all Departments and Units

Question 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.

Answer 1:

The Department of the Treasury 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 are 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 Departments 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.

The FY11 budget restructured several programs in the Department of the Treasury that were not related to its core missions.

Funding for the Office of Supplier Diversity was eliminated. The Department continues to provide information and opportunities via the State website.

Funding for the Division of Small, Minority and Women Business Enterprises (SWMBE) was eliminated, and functions moved to the Division of Revenue and the Division of Administration. The Division of Revenue improved efficiency through automated processing to reduce a backlog of registration/certification requests. We will phase-out of the minority and women business certification process, but this certification is not, and by consent decree cannot, be used by the State to award set-aside contracts. A new business model will permit vendors to self-classify themselves as a minority or women businesses.

The Human Resources Development Institute (HRDI) was significantly down-sized, eliminating the training academy concept and keeping only a Learning Management System (LMS). As such, the "Institute" no longer exists, but has been replaced by an e-Learning Unit which develops and offers required policy based training, provides centralized administration of certain vendor-provided curriculum, and coordinates IT services from Treasury staff and the contracted LMS vendor.

Additionally, to better utilize its resources, the Division of Risk Management nurses offices were eliminated, except for the nurse station at the State House. This allowed the redeployment of the trained nurses to the process of reviewing and more efficiently managing worker's compensation claims and providing loss control services.

Question 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?

Answer 2:

Not applicable. No Federal action is required.

Question 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.

Answer 3:

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 lapsing of these funds created no significant impact on Treasury's services.

Question 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.

Answer 4:

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.

The administration also is moving responsibly 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 the legislature agreed to the initiative, is working to turn NJN into a private, non-profit broadcasting entity with no state subsidy.

Treasury has been pursuing several Privatization Task Force Recommendations to see if these could yield significant cost savings for the State.

The areas we have pursued to date are:

- OMB, Pensions and Benefits and the Office of Information Technology are reviewing payroll outsourcing options. They are developing a scope of work to begin implementation for pension system payrolls (which may have more structure and fewer variables than the active employee payroll). If successful, this could then be expanded to active employee payrolls. This initiative does not look to eliminate payroll processing, it is focused on eliminating the printing of paper checks/stubs and avoiding the costs associated with replacing aging in-house payroll systems.

- Treasury is working to consolidate all State Print Shops under the Department of the Treasury. While the Task Force Report recommended outsourcing all printing, Treasury is looking to outsource where it is more economical to do so. The FY12 budget includes $500,000 in printing savings from the centralization of printing under Treasury.
- Treasury has initiated development of an RFP to see if there is significant savings from a private company owning and/or maintaining passenger fleet assets. The FY12 budget includes a $2 million reduction for this initiative, reflecting an expected $4 million in savings across all fund sources from fleet efficiencies. It is anticipated that some of those efficiencies may come from a shift to outsourcing of certain vehicle fleet functions.
- Although not specifically addressed by the Privatization Task Force, the Division of Revenue has found high vendor interest in outsourcing front-end processing. The Division is taking a phased approach which addresses the vital need for service continuity, but still allows the State to tap the potential of public-private sector partnerships. Separate RFP's for Mail Services and Data Entry/Verification have been issued and responses are due in mid-May.

None of the recommendations were able to be implemented in FY11, and most require some type of scope of work development, competitive bidding and bid review before savings can be quantified.

Question 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.

Answer 5:

In developing the FY 2012 budget, the Department of the Treasury worked 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 focuses available funding on key priorities and mission areas. More specifically, as outlined in the budget summary, the Department as part of the FY12 budget, proposes to reduce operational costs by restructuring the Division of Public Contracts Equal Employment Opportunity Compliance.

Additionally, the Governor's Budget contains a $399,000 reduction from the Division of Revenue's Wage reporting account. This reduction is commensurate with the reduction in the Division's cost to process Temporary Disability Insurance (TDI) receipts. Thus there is no impact on constituents. Please note, the corresponding revenue source for TDI in Schedule I was reduced accordingly.

A $2 million reduction for the ongoing implementation of the New Jersey Public Broadcasting System Transfer Act is included.

Additional reductions in the Governor's Budget include $246,000 to the Division of Risk Management and $423,000 to the Division of Administration. These reductions reflect the annualized savings from the implementation of FY11 initiatives referenced in the response to Question #1. These initiatives were enacted mid-year and these further reductions in FY12 represent full year savings.

The Governor's FY12 Budget includes a $25.2 million reduction in the Senior and Disabled Citizens' Property Tax Freeze program. This reduction reflects regular program attrition along with the continuation of the eligibility and benefit constraints established in FY11. The Budget also reduces funding for the Senior, Disabled, and Veterans' Property Tax Deductions by $2.6 million, reflecting the normal declining trend in participation levels. The Solid Waste Management – County Environmental Investment Aid program is decreased by $7.4 million, reflecting a reduction in overall need among the counties and county authorities that have received assistance from this program in the past.

Question 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.

Answer 6:

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

Question 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.

Answer 7:

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.

With regard to the Department of the Treasury, the "Zero Based Budgeting Approach" compelled the Department to review its mission and its present responsibilities. The result was the ranking of four core functions the Department is in business to achieve:

1. Revenue Collection
2. Asset Management
3. Services to the public or other local government entities
4. Statewide Support Services

For purposes of developing the Fiscal 2012 budget, the cost of providing all the services the Department presently provides were allocated to these functions. The Department will continue its ongoing review of the manner in which these core functions can best be fulfilled.

Question 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.

Answer 8:

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

Question 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.

Answer 9:

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

Question 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.

Answer 10:

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

Question 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.

Answer 11:

Not applicable. No Federal action is required.

Question 12:

Please describe how zero-based budgeting was integrated into the FY 2012 executive budget process. To what extent were Office of Management and Budget staff and agency budget staff trained in the techniques of zero-based budgeting? Please discuss major differences in the executive budget process, qualitative as well as quantitative, that resulted from this new emphasis on zero-based budgeting.

Answer 12:

Zero-based budgeting is a technique of planning and decision-making which reverses the working process of traditional budgeting. In traditional incremental budgeting, most state agencies budgets were built "incrementally" using a previous period's budget as a base, with incremental amounts added for the new budget period. The allocation of resources is based upon allocations from the previous period. This approach is not recommended as it fails to take into account changing circumstances. Moreover, it encourages spending up to the budget" to ensure a reasonable allocation in the next period. It leads to a "spend it or lose it" mentality. By contrast, in zero-based budgeting, every department function is reviewed comprehensively and all expenditures must be approved, rather than only increased.

The major differences in the executive budget process compared to prior practice include the fact that there were no reduction items "off the table" simply because they had previously been funded at similar levels. This resulted in numerous reductions to base budgets. Also, the FY2012 Budget includes an Allocation of the Budget by Core Mission Area which is a necessary step toward the implementation of performance budgeting which will link budget decisions to priority performance outcomes. This will significantly aid in identifying for elimination base programs that are not cost effective or fail to serve a core mission of the agency.

As to the issue of staff ability to conduct such reviews, 71% (24 of 34) of the professional staff working on formulating the budget in OMB have advanced degrees, mostly MPAs & MBAs. Senior staff also have extensive government budgeting experience and a familiarity of various budgeting techniques dating back 30+ years. One senior staff member has taught various classes for the Rutgers Newark School of Public Affairs and Administration including government and nonprofit budgeting.