

# **REPUBLICAN BUDGET SAVINGS**

## **\$1.32 BILLION IN ALTERNATIVES**

### **SUMMARY**

- Approximately one-half of the \$1.32 billion in savings proposed by Republicans are attributable to seven proposals explained in detail below. The balance of the alternatives comes from sixty specific line-item reductions to the proposed Fiscal Year 2009 Budget.
- Savings proposals focus on areas of government where there is little accountability, such as a municipal aid program that has been the subject of a scathing State Auditor's Report and has been cited for allocating funding without applications or merit-based criteria.
- Smaller increases are recommended for certain programs. One example is the Governor Corzine's proposal to give twenty-three former Abbott school districts an increase in funding above the rate of inflation. Recent audits reveal that these districts have been unable to account for current expenditures. A more gradual increase in funding will provide for greater accountability and more thoughtful spending practices.
- Several savings proposals are based on bipartisan initiatives, including further health and pension benefits reform and moving toward property tax credits and away from rebates.
- Corzine-administration officials have also put forth proposals to obtain savings. However, these ideas have been ignored in the current budget proposal. An example is a proposal to reform the procurement system.
- Proposals are put forth that accept the recommendations of Governor Corzine, which he has yet to implement, such as eliminating positions filled by political appointees.

## MAJOR SAVINGS

### **1. Special Municipal Aid \$107,305,000**

Over the past six years, a handful of municipalities received state aid from a program whose funding increased from \$38 million to more than \$153 million. At the same time aid for other municipalities has basically been held flat. The Special Municipal Aid Program has been the subject of harsh criticism in a recent State Auditor’s Report which noted: (1) aid has been awarded without any application process; (2) no objective criteria exists to guide awards; (3) financial recovery plans for recipients have not been prepared as required by law; (4) hearings have not been held to determine if towns should be subject to a fiscal review board as required by law; and (5) grants recommended by staff are subject to “managerial override” (political manipulation). It is clear that the original purpose of the program is no longer adhered to and it has become nothing more than a “fund” for politically-connected municipalities.

Certain municipalities receive annual and increased funding from the program even though the program was originally intended to provide temporary assistance to help municipalities through short-term fiscal problems. For example, Union City received a four-fold increase in funding this year, despite have spent public funds in the past to support questionable expenses. Despite being a distressed city and receiving millions of dollars of distressed cities aid, Union City has been able to pay for several municipal swimming pools and cover a \$500,000 jury award paid detective who was demoted for political reasons.

There remains a need for funding to address true emergencies in distressed areas, but the amount available six years ago remains the appropriate level for funding the program.

### **2. Reasonable Increases for Certain Former Abbott Districts \$105,070,173**

Certain former Abbott and Abbott-Rim school districts are slated to receive state aid increases that are far in excess of the inflation rate, and as high as 20%. There are 23 of these districts, including several such as Newark, that are receiving increases outside the new school funding formula, pursuant to budget language inserted by the Governor, without explanation. The increases are being provided without an individual assessment of the district’s needs. In addition, these 23 districts have seen their state aid generously increase by 30% since 2002. In the recent past, aid amounts have been deemed adequate and constitutional by the courts, so there appears to be no constitutional reason for the increases above and beyond past amounts.

The Department of Education has made no attempt to make sure state aid to these districts is well spent. In response to a request submitted by Republicans to the Department seeking payroll information for these schools, the Department acknowledged it does not keep nor does it have the requested information for these schools. Past reviews of these districts have identified: high administrative costs; blatant patronage

positions; gym teachers, drama teachers and French teachers making in excess of \$100,000, and even a \$122,000 public information officer.

For example, the Harrison School District in Hudson County is slated to receive a 12% increase in funding next year, even though its state aid has increased by 60% during the past six years. Such an increase for a school district that has already been receiving dramatic increases for the past six years is patently unfair. Additionally, it should be noted that the people of Harrison Town don't even get a chance to vote for their school board members. They are appointed by a mayor whose administration has been roundly criticized in newspapers for top-heavy administration and corruption. Other audits of these districts indicate that up to 25% of what they receive is undocumented, unnecessary or wasteful.

Capping state aid growth to 2% for all Abbott and Abbott-Rim districts that have seen solid increases in recent years is only fair at a time when many other communities are facing aid cuts. Capping the increases will also allow time for additional funds to be spent in a rational manner.

### **3. Procurement Reform**

**\$90,000,000**

In a recent bipartisan meeting of legislators working to identify budget savings, the head of New Jersey's procurement office noted that if we saved just "10% off the price of only 15% of more than \$6 billion" of annual procurement costs for goods and services, then the State would save \$90 million. Stated another way, procurement reform should be able to easily reduce by 1.5% the price of the State's goods and services. That goal is more than achievable and Legislators from both parties have repeatedly offered to support whatever changes in procurement laws may be needed to effectuate savings and efficiencies. Change has been far too slow even though most reforms to procurement can be implemented immediately, without legislation.

First, the State should dramatically reduce its procurement of goods and services without advertising for competitive proposals and bids. The practice of no-bid contracts restricts open and fair competition and drives up prices. Procurement without advertising is made possible by the Department of Treasury when it approves requests for waivers from competitive advertising - which the department is responsible for approving even when the department is the one requesting the waiver. More than \$446 million of purchasing was done in 2006 outside of competitive advertising for proposals and bids. As one example of this type of abuse, the Department of Treasury gave itself a waiver from competitive advertising for legal services associated with Governor Corzine's monetization proposal and then only solicited bids from the most expensive law firms in the country, resulting in a \$548 per hour contract that cost the taxpayers in excess of \$5 million.

Second, major construction procurement and building projects subsidized by the State should be more closely examined before they begin and be subject to a disinterested third party review. The EnCap project is perhaps the best example of a project that was

allowed to begin without adequate scrutiny. School construction projects also have been prime examples of major construction projects undertaken without adequate review. Greater up-front scrutiny of major construction projects could prevent the next EnCap or the next school funding debacle.

Third, the Governor's Office of Policy or the Counsel's Office should become more engaged in reviewing proposed procurements by departments and agencies to prevent nonessential spending. During the Senate and Assembly Republican's review of just a fraction of equipment purchases by various departments, obvious examples of nonessential purchase orders were found, including: a \$35,000 World War II spotlight for the Department of Environmental Protection; an \$18,000 "trinkets order" for the Department of Community Affairs; several \$10,000 gym sets and a half dozen \$650 customized cigarette lighters for prison inmates; tens of thousands of dollars for top-of-the-line \$600 phones for several departments when more modest purchases would have sufficed; and excessively expensive office renovations. A quick, third party check on proposed departmental purchase orders by the Governor's Office would undoubtedly prevent many of the more egregious purchase orders from being pursued in the first place.

Fourth, agencies must require more regular invoices from hourly service providers such as lawyers and more closely scrutinize bills. As an example of where this would have made a significant difference, private lawyers handling EnCap dealings and whistleblower lawsuits were permitted to submit bills for services nine months after beginning work. The result was that virtually all billable hours were paid. Billable time included obviously unnecessary and excessive work which could have been stopped sooner if bills were reviewed on a timely basis.

#### **4. Pension and Health Benefits Reforms \$85,000,000**

The Legislature has attempted to make fair and equitable reforms to state worker pension and benefit policies. Governor Corzine has thwarted many of these changes, only allowing for relatively modest changes. Further changes should be pursued.

Republicans are recommending that the retirement age for prospective government employees enrolled in the Public Employees' Retirement System (PERS) be raised from 60 to 62. This will greatly reduce the system's unfunded liability and will put the public employees' retirement system more in line with the private sector. It also reflects increased life expectancy.

Second, the current pension formula that determines payouts is based on a three-year average of an employee's highest pay. In the past this has made it easier to "boost" pensions beyond what has been earned. Republicans propose a pension formula based on a five-year average.

Third, state employees receive three extra holidays that the federal government does not recognize. The number of state holidays for State employees should be reduced to match

those given by the federal government. This will lower overtime costs and make State services more accessible to taxpayers.

Fourth, the Benefit Review Task Force issued a report in late 2005 proposing changes in employee and retiree benefits and documenting the savings attributable to each change. One change, which has since been partially implemented, was to increase the employee and retiree contributions to health insurance to 10% of the cost of a base plan. That proposal alone was documented as saving State taxpayers \$206 million. The Corzine Administration ultimately embraced a different approach, requiring employees to contribute 1.5% of salary towards the cost of their health plans, which required State employees to contribute far less than could have been saved under the Task Force recommendation.

Possible other reforms include: allowing vested employees to opt into a 401K style retirement program which may be attractive to employees and taxpayers; increasing the annual salary that triggers pension credits beyond the current threshold of \$1,500 which is unfair to employees and taxpayers; and increasing the threshold of hours worked to become eligible for health benefits to prevent certain politically connected employees, who do as little as attend one or two meetings per month, from getting health insurance.

Between these and the other proposals being advanced by Senators Sweeney, Buono and others, a benefit at least five times greater than the recommended \$85 million into the pension system can be accomplished to bolster the health of the pensions system.

The proposal here is to embrace work on a bipartisan basis and adopt a combination of the above proposals to reduce benefit contributions by \$85 million. The combination of substantial additional reforms and a modest reduction in the FY 2009 contributions does far more to bring the pension system into balance in a manner that is fair to rank and file workers and taxpayers alike. In contrast, Governor Corzine has almost exclusively stressed making larger taxpayer contributions to the retirement systems as the means by which unfunded liabilities in pension and post retirement health benefits should be addressed.

## **5. Urban Enterprise Zone Tax Sharing Reform \$69,000,000**

The law establishing Urban Enterprise Zones (UEZs) allows UEZs to charge a 3.5% sales tax and to retain a percentage of collections for their own use. The original UEZ law enacted in 1983 provided for a declining percentage of sales tax revenue collected in the UEZ to be retained by the UEZs. The percentage of collections was to decline over time, with the UEZs gradually being weaned off State subsidies. It allowed UEZs to keep 100% of local revenues in years 1-5, 66% in years 6-10, and 33% in years 11-15, and nothing thereafter.

In the late 1990's, many UEZs were approaching the point where they were about to lose their share of sales tax collections. UEZs were temporarily permitted to continue revenue sharing through language included in the annual Appropriations Act. In early 2002, the

law was amended to allow UEZs to permanently retain some level of revenue. However, the law was amended in a way that was neither rational nor fair. The amendment enacted in 2002 provided that in the 16th year (instead of receiving nothing) UEZs would again start receiving 100% of sales tax collections and for the declining percentage formula to start over. The law was purely political in nature.

As of 2008, 19 of the UEZ are now retaining either 66% or 100% of local sales tax revenues – an increase from the 33% they should be receiving late in their lives. These UEZs are located in the following towns: Bayonne, Bridgeton, Camden, Elizabeth, Gloucester, Jersey City, Kearny, Millville, New Brunswick, Newark, North Wildwood, Orange, Plainfield, Roselle, Trenton, Vineland, West Wildwood, Wildwood Crest, and Wildwood.

The proposal here is to keep the lower tax rates in place as well as other benefits in UEZs that attract businesses and customers to UEZs, but to replace the arbitrary and political formula used to determine local retention of sales tax revenues with a fair and equitable 33% retention of local tax revenues for all UEZs. The 19 towns listed above with UEZs that are currently retaining 66% or 100% of local tax revenues based on the arbitrary and unfair formula enacted in 2002 would receive less revenue for grant programs, but all remaining UEZs which are currently at a 33% retention of sales tax revenues would see no decrease in aid.

Republicans acknowledge that tax cuts and extra revenue are good tools to increase depressed economic areas, but the tools must be reasonable. Additionally, Republican legislators stress that unless overall state spending and taxes are reduced in an effort to stimulate the economy, almost no amount of special treatment for these areas will help them recover in a dismal business climate created over the past 6 years.

**6. Eliminate Political Appointees \$68,481,000**

The Governor has touted an early retirement program to reduce the State employee count. Early retirement programs have failed time and time again in the past and have actually resulted in the State simply increasing its unfunded liabilities in the pension systems.

Republicans have a better way to shrink the payroll – eliminate patronage and managerial positions.

Despite claims to the contrary by Governor Corzine, there remains substantial patronage and top heavy administration in State Government. Some of the people in these positions were hired by Governor Corzine himself. For example, a former County Clerk was recently hired as the Deputy Executive Director of the Board of Cosmetology and Hairstyling. A former Executive Director of the Arizona Democrat Party was recently hired as a public relations expert at the Department of Environmental Protection. A campaign worker whose job included taping opponents at various functions was recently hired as an aid to the Governor. Those are only three of hundreds of examples of positions that could be eliminated with little or no disruption of public services.

If the Administration eliminated 2/3 of the employees in the following titles, they would save \$68,481,000 in salary and benefits: State Supervising Photographer, Government Representative, Confidential Aide, Aide to the Governor, Senior Executive Service, Legislative Liaison, Confidential Secretary, Confidential Assistant and Administrative Assistant. It is not claimed that all of the employees in these positions should be fired. In fact, some of these people perform valuable functions, but political appointees are clearly employed in these titles – most of which are outside civil service laws and competitive hiring requirements.

Firing political employees who are not protected by civil service is a far easier, more sensible, and more efficient way to reduce the workforce without promising unwarranted benefits through an early retirement program.

**7. Moving from Political Rebates to Direct Tax Credits – Same Level of Relief  
without the Political Games or Waste \$43,800,000**

Property tax refunds should be provided as either a direct credit on property tax bills or as a credits against income tax liabilities. Such a move would eliminate the expensive and bureaucratic politicized mailings, applications, and fanfare associated with rebates. It would also allow people to keep their money in the first place, instead of sending their money to Trenton and keeping their fingers crossed in the hopes they may get some back later.

In addition to providing for more predictable and meaningful direct tax relief and administrative savings, the State would save almost \$40 million of interest payments on short-term borrowings caused because of the rebate program. Currently, the State mails out rebates in the beginning of the year when it has no cash, which results in the State borrowing several billion dollars for a short period of time. The cost of this borrowing results in approximately \$40 million in interest payments paid when State tax collections catch up and the state repays the banks who lent the money.

Republicans are not the only ones to have proposed a smarter credit program. Assembly Speaker Joe Roberts has recently embraced a similar proposal. It's unconscionable that in an effort to cling to a political game, the Corzine Administration fights both Democrats and Republicans and is willing to waste tens of millions of dollars that gets the people of this State nothing but higher taxes.

**ADDITIONAL SAVINGS**

8. Dedication of 2008 Windfall to Debt Reduction Fund \$135,000,000

Republican legislators agree with Governor Corzine who proposes that a more than \$500 million revenue windfall in 2008 be set aside for debt reduction. The proposal would allow a debt service reduction in 2009 of \$135 million.

9. Salary Increases - \$80,000 \$57,243,000

Raises for State employees who already receive in excess of \$80,000 and are slated for raises next year (other than State Police who are in their own pension system) should not be funded, due to the inability of the State to provide raises to higher-paid employees. Many of these raises for management can easily be avoided since employees are not covered by contracts. This would save more than \$57 million in salary and benefits.

10. Special Municipal Aid - Lapse from 2008 \$50,000,000

\$153 million was made available as distressed cities aid in the current year to a handful of municipalities. The aid amount was increased from \$38 million in Fiscal Year 2002 without applications or merit-based award criteria. A portion of funds that remain uncommitted should be withheld. Of the aid that has already been committed, amounts should be recovered, if receipt of funds would allow recipients to end the year with anything more than a minimal surplus.

11. Long Term Obligation and Capital Expenditure Reserve \$40,000,000

Language is included in the General Provisions section of the budget allowing the Governor to spend from the Fund for one-time capital projects and to cover additional pension fund liabilities associated with the Early Retirement Incentive (ERI) program for 2009. ERI should not be undertaken and the estimated \$40 million that will remain in the fund once a \$260 million payment is made to the UI Fund, should be used to offset additional capital projects funded in the budget. Specifically it could be used to pay for \$10 million of Energy Efficiency Projects, the Information Technology Online State Portal, or as pay-as-you go funding for transportation or school construction projects.

12. Grants to Able-bodied Single and Childless Couples – Reduce \$30,000,000

The State spends more than \$40 million on special, 100% state-funded cash grants of \$140 to \$210 per month to single, able-bodied, employable adults. The grants are above and beyond food stamps, Medicaid, housing assistance, PAAD, energy assistance, workforce training, and other means-tested grants for essential needs. More than a dozen other states (including Connecticut, Pennsylvania, and California) have eliminated such state-funded assistance. This reduction would not completely eliminate such assistance, but would allow for the continuation of support programs that will transition this group to the workforce. Funding will remain available for temporary rental assistance and basic

medical coverage. It is important to note that this proposal does not impact federal assistance programs, people who are unemployable who receive state-funded assistance, or children.

13. Payments in Lieu of Taxes \$30,000,000

Certain developers and upper income condo owners in predominantly urban areas are completely exempt from paying property taxes, but are required to make in-lieu-of tax payments to municipalities and counties under various redevelopment agreements - none of which support schools. Requiring these owners to pay something toward their own schools would have two impacts. First, it would be fairer for other taxpayers who are otherwise left footing the bill for schools. Second, it might cause the owners to care how local school districts are spending money. Assemblyman Manzo has recently proposed this idea, and we agree with him. \$30 million could easily be obtained by requiring small payments in support of schools from currently exempt properties, with the State and local taxpayers sharing the savings.

14. Overtime \$26,695,860

Departments must better prioritize human resources. One way to achieve this reduction in overtime would be to require employees to work a 35 or 40 hour week, depending on their job description, before being eligible for overtime. Vacation and sick time should not count as time worked when determining overtime. Significant overtime is attributable holiday policies that should be reconsidered. Elimination of shift overlap alone at the DOC reduces overtime by \$8 million. If shift overlap were limited to only supervisors rather than the entire staff, costs could be reduced by \$6.8 million.

15. Consolidation Fund \$22,000,000

The proposed budget anticipates the availability of \$32 million to assist local units of government with consolidations and sharing of services. There is considerable concern that this new fund will be manipulated as have other funds within the Department of Community Affairs. The funding should be reduced to a reasonable level and a proven track record of sensible administration should be demonstrated before funding is increased to the Governor's proposed level. This option, considered in conjunction with the restoration of municipal aid, will allow for a more deliberative process.

16. Phase-in aid increases for greater than 50% state aid school districts \$20,700,000

There are 33 school districts (non-Abbott, non-Abbott Rim) that receive State aid totaling more than 50% of the revenue to support their budgets. Twenty of these districts are slated to receive increases far exceeding inflation. It can hardly be considered fair to increase these communities aid far beyond inflation while aid to other communities is cut. This proposal would hold these communities to reasonable increases of 4% instead of up to 20%.

17. Trenton Capital City Aid \$19,000,000

This program provides a subsidy to one local government, based on nothing but pure political considerations. It is nothing more than a slush fund. The reduction would leave it funded at the FY 2007 level.

18. Essex County Subsidy \$19,000,000

The State provides a special subsidy to Essex County by artificially allocating additional aid to a health care program that would otherwise be funded by Essex County, as it was in the recent past.

19. Elimination of Institution Earmarks \$18,402,000

There are dozens of earmarks within higher education budgets. The earmarks override university and college control over their own budgets. This proposal would provide universities and colleges the ability to fund programs at levels they deem appropriate.

20. School Construction Corporation (SCC) \$18,000,000

The Governor has proposed issuing another \$2.5 billion of school construction debt to be spent by the SCC. However, the SCC has been rife with abuse and has not been aggressive in pursuing actions against contractors for waste. Additionally, it should be noted that the State Auditor's Report from 2006 showed there has not been an adequate process to independently review PMF change orders. A combination of slower programming, more aggressive cost recoveries, voter approval of debt, and a disallowance of change orders would allow for a reduction in debt service obligations paid by the State.

21. Hospital Asset Transformation Program - Debt Reduction \$15,000,000

The N.J. Commission on Rationalizing Health Care Resources recommended that the State "fund a program to help pay some of the costs of closing a hospital." P.L. 2000, c. 98 established such a program in the Health Care Facilities Financing Authority. Proposed language also allows additional amounts to be spent as required without further legislative approval. This funding should be used to further enhance payments to hospitals for treating those who are uninsured and unable to pay their bills. Additionally, there is little or no oversight of expenditures and the Legislature should approve all costs through legislation adopted separate from the budget.

22. Services Other Than Personal \$10,000,000

The SOTP accounts are used to fund the cost of purchased services that are primarily non-personal or of a contract nature under which no employer-employee relationship (i.e., consultants) is established. Reducing the appropriation for one year, while permitting any unexpended balances to carry forward will leave the accounts with more than enough funding to pay for legitimate costs.

23. South Jersey Port Corporation \$9,796,000

Given the success of the South Jersey Port Corporation, the State should no longer have to subsidize operations. Additionally, some of this funding amounts to nothing more than father subsidies for Camden, which receives payments in lieu of taxes from the port.

24. Health Care for Inmates - Correctional Medical Services Contract \$8,500,000

The State is irrationally poised to award the health care contract for prisoners to UMDNJ without a competitive bid process. They have refused to provide documentation explaining their decision. If Treasury is determined not to competitively bid this contract, they should at least require that UMDNJ's cost estimate for the contract provide the State a 10% savings. It has been stated that cost to Corrections for CMS's contract was between \$85 million to \$150 million. It is not unreasonable to assume savings of at least 10% if the work is competitively bid. Even CMS, the current provider, would feel compelled to cut its profits to hold onto the contract if it were given an opportunity to bid again for the work.

25. County Prosecutor Funding Initiative Pilot Program \$8,000,000

This program provides a subsidy to four counties (Camden, Essex, Hudson, and Mercer) based on nothing but pure partisan concerns. It is nothing more than an unfair and unbalanced slush fund disguised as a policy concern.

26. Inmate Contributions \$8,000,000

It is common for the federal courts to assess the cost of incarceration, when possible, to criminals - especially white collar criminals and sex offenders whose assets generally lend themselves to attachment. Additionally, fees assessed against inmates have not increased in years even while the cost of living for ordinary taxpayers has skyrocketed. The State should more aggressively seek restitution from criminals and adjust fees accordingly.

27. Monetization \$8,000,000

Eliminate the language in the FY 2009 budget allowing the state to pay for consultants and studies regarding monetization. This plan is a non-starter and the Governor is wasting money trying to tweak it into a form that will receive support. Also, the Administration has hired a law firm, Skadden Arps, to work on its proposal even though a competitor's bid was initially deemed superior by state evaluators. The State has spent

more than \$10 million on the plans it has now, and it will spend another \$10 million revising plans to a point where even the Democrat Majority might think about supporting it.

28. Program Overfunding - Global Budget Long Term Care Initiative \$8,000,000

Available data concerning the Global Budget component of the Global Budget Long Term Care Initiative account indicates that expenditures are about \$8 million less than had been estimated.

29. RFP Savings – Transportation \$6,986,000

The DMAHS recently released a revised RFP related to transportation services. Informal conversations indicate that savings may be significant. However, the FY 2009 budget does not reflect any significant reduction in expenditures.

30. Elimination of the Department of Public Advocate \$6,670,000

Eliminating this department, which didn't even exist until recently, and transferring its essential functions to other departments will save the state considerable funding without jeopardizing essential State services. Spending for the programs operated out of this department have increased from the \$13.164 million expended during FY 2005 to the \$19.20 million recommended for FY 2008. In addition to substantial administrative savings achievable by eliminating this department, there are carry forward accounts available for some of the functions that should be transferred to other departments.

31. Repayment for Costs Associated with Replacement of the High Temperature Hot Water Underground Distribution System at South Woods State Prison \$6,000,000

In FY 2007 the department received \$8 million to replace the high temperature hot water underground distribution system at South Woods State Prison, which was installed from 1995 to 1997 and which has experienced a complete and catastrophic system failure. The department received another \$6 million in FY 2008. In response to OLS questions, the department stated that the Office of the Attorney General, in conjunction with the Treasury Division of Property Management and Construction, is pursuing litigation to recover damages as a result of this catastrophic failure. This will allow the department to recoup expenditures and offset the cost of the new system.

32. Durable Medical Equipment Audit - Contracted Supplies \$5,300,000

According to the State Auditor, the New Jersey Medicaid program could reduce the cost for adult incontinence briefs. The division currently pays from \$0.70 to \$0.90 per brief. The state also has a term contract for adult incontinence briefs for individuals in state institutions. If the division set Medicaid rates based on the State contract, the division could save \$5.3 million.

33. Funding Outside School Funding Formula \$5,000,000

This is the Department of Education's version of Distressed Cities Aid, and it is being awarded outside the school funding formula. Three schools receive the funding, but there is no legitimate explanation as to why these schools are singled out when other schools have similar challenges.

34. Consolidation of Governance \$5,000,000

The State awards contracts to hundreds of agencies, some of which perform similar or overlapping functions. In addition, state departments are often not aware that another government agency (federal, state, or local) may be providing aid to recipients that duplicates their own aid awards. Additionally, the State does a poor job in assessing the executive compensation and perks of recipients. Some departments don't even ask for executive compensation or information about perks. The State needs to adopt criteria in grant applications that coordinate with other departments and government agencies and that better identify those contractors not in need of high aid amounts in light of inappropriate compensation and perks.

35. Reduce Sick Time Payout \$5,000,000

By reducing the amount that the State pays retiring employees for unused sick time from a maximum of \$15,000 to a maximum of \$10,000 the State would save \$5 million. The payment for unused sick time is supposed to serve as an incentive for not taking sick time. The same incentive can be realized at a lesser payout.

36. Program Overfunding - Work First NJ Work Activities \$5,000,000

Based on a cursory review of fiscal activity, it appears that this program is overfunded and that state funding can be reduced. A reduction of \$5 million, with language to either increase the allocation from the WDF to \$30.5 million or to provide a supplemental appropriation of up to \$5 million from the GF, combined with a directive to the department to deplete WDF funds before state funds, should assure adequate funding.

37. Union County – Subsidy \$4,000,000

This is a new program that appears similar to the Essex County program. At this time, no information is available regarding the program, whether the county or a private vendor will operate the program, the number of clients to be served, or whether the program will be licensed by the division. It appears that the appropriation is nothing more than a subsidy to the politically-connected Union County.

38. New Jersey Performing Arts Center \$4,000,000

Taxpayers gave more than \$7 million in direct subsidies to the N.J. Performing Arts Center (NJ PAC) in Newark in FY 2008. NJ PAC uses this money to cover certain

operating and debt service costs. In addition, budget language allows NJ PAC to keep the revenue from profitable ventures that it operates instead of using it to pay off loans given to it by the State. Despite the fact that it would go bankrupt without generous taxpayer support, NJ PAC does not seem to care about making sure that each dollar is spent effectively and efficiently. NJ PAC has paid its CEO more than \$1 million over the latest two-year period (public IRS filings are available). In addition, there are more than a half-dozen vice-presidents at NJ PAC making healthy six figure salaries. Efficiencies at NJ PAC and the use of revenue from its other endeavors could be used to facilitate this reduction.

39. Elimination of Compensation to Members of Commissions  
and Boards \$4,000,000

Hundreds of politically connected people who sit on various state boards and commissions and attend infrequent meetings, receive full-time pension credit, as if they are full time employees. Individuals need to earn just \$1,500 a year to be eligible for a year of pension credit, provided they were hired prior to recent pension reforms. Compensation should be reduced to a level so that cumulative payments throughout the year would not exceed the \$1,500 needed to earn pension credit. This option would eliminate pension and benefits for more than 250 members of various commissions and boards who receive just enough compensation to be eligible for credit in the State pension system. Examples include the Real Estate Commission, Public Employee Relations Commission, the various licensing boards in the Department of Law and Public Safety and local boards such as the County Tax Boards. Total budget savings, would include \$3 million in salary savings and \$1 million attributable to a board members who statutorily receive health benefits.

40. Board of Public Utilities \$4,000,000

\$4 million received by the BPU should be returned to the General Fund to offset indirect costs incurred by the State, including defense of a whistle blower lawsuit and criminal investigations and audits. This can be achieved by cutting confidential employees at BPU, whose number has increased by 40 over the past several years. In addition, BPU leases expensive office space in Newark. A portion of the premises could be subleased and BPU could move to cheaper office space elsewhere.

41. Sick Leave Injury \$3,000,000

The FY 2007 budget recommended the elimination of the Sick Leave Injury (SLI) program as did the Joint Committee on Public Employee Benefit Reform. This program is administered by the Department of Personnel but budgeted within the Interdepartmental Accounts. NJ is one of only 5 states that provide a sick leave benefit at full wages in addition to worker's compensation. As opposed to worker's compensation, which pays injured employees a temporary benefit at 70% of the State wide average weekly wage, the SLI program is a salary continuation program that provides full pay to employees.

42. Tuition Reimbursement \$3,000,000

Reimbursement of educational expenses of state employees should be eliminated if they do not directly relate to job requirements. This is a perquisite that the State can no longer afford to pay. For example the DOT reimbursed an employee for a class on Egyptian mummies and numerous courses in earth science were found for employees in the Department of Banking and Insurance. Additionally, employees were getting reimbursed for pursuing law degrees when the State clearly has enough lawyers.

43. Family Planning \$3,000,000

Grants for Family Planning have increased dramatically since FY 2006. This option would return the funding level to the amount expended in FY 2006 - \$4.75 million.

44. Office of Smart Growth \$2,295,000

Smart Future Planning Grants are available to counties and municipalities to promote redevelopment, economic activities, and preservation efforts that are consistent with smart growth principles. Often, the grants awarded are for projects that would have been undertaken anyway and that are appropriately paid for by the sponsoring entity. Funding would remain to assist municipalities who will pursue redevelopment proposals with or without the small grants.

45. State Cars \$2,100,000

The proposed budget assumes that the state will hold title to 15,544 vehicles. This is an increase of 144 since January 2007. The budget also assumes that 2 additional mechanics will be on the payroll to service the additional vehicles. Treasury, the Department responsible for the State Central Motor Pool, should evaluate who is driving these vehicles and if they merit vehicle assignment. Eliminating a small portion of the fleet as well as placing a moratorium on purchasing additional vehicles (not including the replacement of state police vehicles) will save the cost of new vehicles and cut fuel costs and reduce claims against the Vehicle Claims Liability Fund.

46. Durable Medical Equipment Audit - Medical Equipment Monitoring Reimbursement \$2,100,000

According to the State Auditor, improper payments are routinely made for medical equipment and supplies for residents in nursing facilities. Certain items which should be part of the nursing facilities' cost should not have been billed separately to the program by the durable medical equipment suppliers.

47. Increased Federal Medicaid Reimbursements \$2,000,000

Increased federal funds could be used to offset General Fund appropriations. This is a suggestion of the Office of Legislative Services.

48. Statewide Assessment Grants \$2,000,000

\$15.4 million was expended in 2007 for this purpose and the \$20.725 million requested for FY 2009 has not been justified.

49. Payments to New Brunswick \$1,440,000

The City of New Brunswick receives state aid payments to cover lost property tax revenue attributable to mixed-use public-private construction. Rutgers occupies many buildings in New Brunswick. No other municipality receives funding because they host a public college or university.

50. Durable Medical Equipment Audit - Oxygen Concentrators Contract \$1,400,000

According to the State Auditor, New Jersey Medicaid program's rental rate for oxygen concentrators is the highest among 28 states that provide this type of reimbursement. Cost savings could be realized using term contracts for oxygen equipment or reducing the maximum fee allowance. If the state received a contract rate similar to the DMAVA Menlo Park Memorial Home rate, the annual federal and state savings would be \$1.4 million.

51. Senate, General Assembly & Office of Legislative Services - Services Other Than Personal \$1,062,000

The SOTP accounts for the Senate, General Assembly and OLS have significant carry forward balances. These accounts fund the cost of purchased services that are primarily non-personal or of a contract nature under which no employer-employee relationship (i.e., consultants) is established. Eliminating the appropriation for one year, while permitting any unexpended balances to carry forward will leave the accounts with more than enough funding to pay for legitimate costs.

52. Human Resources Development Institute \$1,000,000

The HRDI offers a wide-range of classes for state employees. Some are relevant to the day-to-day operations of the workplace such as the Prevention of Sexual Harassment. Others, such as Increasing Interpersonal Effectiveness and Time Management, might provide some value but it is questionable whether they should be offered by a State agency. The third group, including prepping for the Civil Service Test, Basic Typing Skills, and English as a Second Language, can best be described as classes for personal promotion and would best be taken through Adult Education. HRDI courses are offered during the work day and are paid for by the department or agency of the employee. Savings are attributable to a combination of less staff, elimination of reimbursement and not having a vacancy during regular business hours.

53. Governor's Contingency Fund \$875,000

The Governor's Contingency Fund began more than 100 years ago for the purpose of allowing the Governor to make funds available to address true emergencies. It was politicized by former Governors McGreevey and Codey. Recently spending from the account has been more reasonable. For example, small amounts of money have been expended from the account to recognize fallen soldiers who were serving in Iraq and Afghanistan. Carry forward funding is available for these types of expenditures. But, other spending should be eliminated and true emergencies should be funded by the Legislature. Additionally, the account has a balance of more than \$1.5 million.

54. Warehousing and Distribution \$800,000

The Chamber of Commerce Southern New Jersey issued numerous recommendations in its Phase II report, Meeting the Challenge: Saving Taxpayer Dollars by Adopting Best Management Practices, regarding purchasing and warehousing. Recommendations include: using on-line auctions more extensively when purchasing commodities; outsourcing certain warehousing activities; researching and taking advantage of vendor stocking programs; re-establishing maximum/minimum stocking levels; and eliminating warehousing and storing of periodicals and forms.

55. Funding for Rutgers' Athletic Facilities \$500,000

This funding is specifically designated for capital projects for athletic facilities at Rutgers, New Brunswick, despite the Governor's pledge that no state funding will be used for this purpose.

56. State Capitol Joint Management Commission \$500,000

The Joint Management Commission is proposed to receive \$9 million of funding for FY 2009. According to information presented in the proposed budget, the JMC has a significant carryforward balance from previous years totaling in excess of \$3.0 million. In addition to the carryforward balance the JMC should scale back unnecessary spending, particularly efforts to pursue construction of a new park to serve the State House at a time when the State is unable to pay to maintain the parks it has.

57. Cell Phones \$500,000

Since 2003 the number of state-issued cellular wireless devices has increased from 3,613 to 17,055 and cost over \$8.5 million annually. Savings can be achieved by more closely monitoring who has a state-issued cellular wireless device and what services are being provided. For example, staff in the Republican partisan offices do not have state-issued phones nor does the state pay for service on personal phones even though they are used for work-related purposes.

58. Chief Executive's Office - Salaries Hidden on Other Payrolls \$500,000

Certain of the Governor's political hires are on the payrolls of departments and agencies other than the Governor's Office. For example, a photographer is on the payroll of Treasury, the Drumthwacket caretaker is on the payroll of DEP and a special projects person is on the MVC payroll.

59. Smarter Eyeglass Purchasing \$500,000

A 2006 audit by the State Auditor of the N.J. Training School for Boys found that its program for providing eyeglasses to Department of Corrections' inmates could be expanded to clients of other state institutions, such as those operated by the Department of Human Services. The audit estimates savings of up to 75% in eyeglass costs and 100% savings on repairs. In addition, the Medicare program will cover the cost of one pair of eyeglasses every two years, for eligible clients.

60. New Jersey Law Revision Commission \$400,000

The New Jersey Law Revision Commission was established in 1985 to promote and encourage the clarification and simplification of the laws of New Jersey. This function can adequately be performed by existing staff in the Office of Legislative Services.

61. Interstate Environmental Commission \$383,000

This commission's work was essential in the 1970s prior to the creation of the Department of Environmental Protection. Staff at the DEP can perform the commission's role.

62. Chief Executive's Office - Salaries and Wages \$372,000

The Salaries and Wages account in the Chief Executive's budget is proposed to increase by this amount. Position data shows no increase in the number of employees. This account has a significant carryforward balance.

63. Sports and Exposition Authority (NJSEA) \$350,000

The NJSEA gave 9 employees (executives) salary bonuses worth a total of \$350,000 annually. The bonuses were 1/3 of each executive's annual pay. Additionally, the NJSEA retreated from George Zoffingers' cost cutting initiatives and hired numerous nonessential employees. At the same time, the state subsidy of the NJSEA is increasing.

64. Joint Committee on the Public Schools \$335,000

The Joint Committee performs services that can be performed by other education staff members at the Office of Legislative Services.

65. Administrative Costs - COAST Commission \$144,000

The administrative responsibilities of the COAST Commission, if they are determined to be necessary, could be performed by the Department of Environmental Protection. The State Auditor found that the COAST Commission lacked oversight and accountability and that cronyism existed within contract awards for services. COAST has no formal written policies or procedures for operations and does not keep records of its meetings or time worked by staff.

66. Henry J. Raimondo New Jersey Legislative Fellows Program \$69,000

With the state facing a multi-billion structural problem, non-essential programs such as this should be suspended for at least one year.

67. Employee Reward Program \$12,000

The Division of Employee Services, New Jersey Awards Committee administers a public service recognition awards program. The program is funded by annual charges of \$250 from participating state departments. A participating employer is then permitted to give employees a token gift when they hit career milestones such as 10 years, 15 years, retirement, etc.

#### ANTICIPATED PORK -- \$100 Million

While this year's list of pork has not been revealed by Democrat legislators, the budget that will pass will inevitably contain at least \$100 million in pork or Christmas Tree items. Two years ago, legislators added more than \$300 million of pork and Christmas tree items. Last year, while pork and Christmas tree items were less, there was still far more than \$100 million. The spending is sometimes masked under titles that suggest loftier goals ("special municipal aid" or "county prosecutor aid"). But the spending is completely devoid of reasonable prioritizations amongst those with similar needs and should be eliminated. It is reasonable to anticipate Democrats will include at least \$100 million in pork again this year which will be identified when Democrats introduce their budget in coming days.

#### LANGUAGE CHANGES

##### Monetization Language - Inappropriate Blank Check

A provisions in the general language section of the budget gives the Governor a blank check to appropriate and spend whatever he deems necessary to prepare for monetization. The Governor used the provision to unilaterally appropriate and spend more than \$10

million on lawyers and other vendors to prepare a plan to hike tolls 800% and borrow almost \$40 billion. The language should be eliminated.

#### Other Inappropriate Blank Check Provisions

There are dozens of language provisions in the budget that delegate to the Governor the ability to appropriate such sums as are necessary for various ill-defined purposes. This level of delegation of power did not exist until the last two decades and its use has grown considerably. For example, language is included in the budget on page F-6 that gives the Governor the discretion to appropriate such funds as he deems necessary to advertise government programs. That language was abused in the past by Governor McGreevey who appropriated advertising funds to promote himself. Another example is language on F-6 that gives the Governor the power to appropriate such funds as he deems necessary to put in place technology to collect fees and revenue enhancements. This power would allow the Governor to appropriate whatever he wants on ways to take money from the public.

#### Rural Patrol Language

Language on page D-275 of the proposed budget prohibits municipalities from applying for Extraordinary Aid if the municipality is one of those which must begin paying for state police coverage. This language should be deleted.