

SUGGESTED REPUBLICAN BUDGET CUTS

(\$783.2 Million)

Equitable State School Aid Distribution

\$205.6 Million

Certain school districts (former Abbott districts) pay nothing towards the cost of school construction and improvement projects. Instead, the state budget and the taxpayers are required to pay these costs. It is outrageous on its face that the districts don't pay anything, not even one percent – towards their own capital improvements.

Additionally, there are approximately 20 school districts in New Jersey that have operating budgets that are more than 80% subsidized through the state budget and its taxpayers. These heavy subsidies allow for no incentive to control costs and actually cause the recipients to perversely spend as much as possible. Not surprisingly, state audits of many of these districts have shown wasteful spending. A survey of salary structures in these districts revealed that one district was found to employ 300 administrators making more than \$100,000 and another employed more than 20 physical education teachers with salaries exceeding \$90,000. The policy of providing more than 80% subsidies to a select few school districts' operating budgets is neither fair, nor sustainable.

A maximum subsidy level of 80% for operating and capital budgets is hereby proposed. It is acknowledged that opponents of this proposal would seek to undo it by filing a challenge in court. Therefore, it is proposed that this policy be protected by placing a question before the voters to determine if they would support amending the State Constitution. The overwhelming majority of residents who already pay for most of their own school district's costs through the highest-in-the-nation property taxes would almost certainly support such a common sense change.

Special Municipal Aid

\$100 Million

Over the past seven years, a handful of politically connected municipalities have received state aid from a program whose funding has grown from \$38 million to \$153 million at its high, while state aid to non-politically connected municipalities has either decreased or has been flat funded. Newark alone received \$45 million more than a year ago. The Special Municipal Aid Program has been the subject of harsh criticism in an auditor's report which noted: (1) no objective criteria exists upon which to base the awards; (2) financial recovery plans for recipients of aid under this program have not been prepared as required by law; (3) hearings have not been held to determine if towns should be subject to a fiscal review board as required by law; and (4) grants recommendations provided by staff are subject to "managerial override" (political manipulation). It is clear that the original purpose for this program has been ignored and it has become little more than a source of cash for politically connected municipalities.

The most recent spending restraints announced by the Governor included a modest cut to this program. However, for the past seven years the law that established this program has not been adhered to and the program has become nothing more than a political slush fund that will be used in FY 2010 to ensure Jon Corzine's reelection.

Proposed language in the FY 2010 budget would alter the types of audits the Department of Community Affairs performs for municipalities in the Special Municipal Aid program. The department states the conducting and preparing of audits of basic financial statements is a responsibility of the municipalities, even those that are in financial distress. It should remain the state's responsibility and the budget should be changed to reflect that the State will continue to audit those municipalities that receive Special Municipal Aid.

Eliminate Political Appointees

\$68 Million

Over the past four months, the Governor hired 10 new employees in his own office (more than 20 were hired in the last year), despite a hiring freeze everywhere else in state government. The list of new hires since January include (1) a new aide in the Office of Intergovernmental Affairs, who was previously a Hudson County Coordinator for the Clinton Campaign and the paid employee of the Democratic State Committee; (2) a new "cabinet liaison officer" who was a former employee of the Democratic Party and a page at the 2008 Presidential Primary; (3) a new "briefing aide" in the Office of Operations (actually paid for with DOT funds) whose resume indicates he was a field coordinator for the Democratic Party and for the Stender for Congress Campaign, the Greenstein and Benson for Assembly Campaign, Carden for Congress; and (4) a new "outreach coordinator" in the Chief of Staff's Office who was an organizer in the Obama campaign. It is not claimed that all the employees in these titles 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. Over the last three years Republicans have recommended to the Governor that he eliminate this category of employee. There are over 1,500 political appointees on the state payroll. By eliminating 2/3 of these employees significant savings can be achieved. However, in an election year, it may be more important to Governor Corzine to have these political appointees on the payroll that to provide significant savings to the taxpayers.

Procurement Reform Savings

\$65 Million

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 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 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 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 Republicans 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.

The Governor's FY 2010 budget reduced state spending by requiring that each department find procurement savings. The \$25 million in procurement savings the Governor booked in the FY 2010 Budget reflects some progress. However, Republicans believe that \$25 million is just the tip of the iceberg.

Urban Enterprise Zone Tax Sharing Reform

\$72 Million

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 2000, 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 2000 provided that in the 16th year 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 2009, 26 of the UEZs are now retaining either 66% or 100% of local sales tax revenues – an increase from the 33% or 0% they should be receiving. These UEZs are located in the following towns: Asbury Park, Bayonne, Bridgeton, Camden, Elizabeth, Gloucester, Jersey City, Kearny, Lakewood, Millville, New Brunswick, Newark, North Wildwood, Orange, Passaic, Paterson, Perth Amboy, Phillipsburg, 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. This would 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 26 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 that are currently at 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 7 years. The ability of this program to stimulate the economy has never been proven. No studies have been undertaken by the Department of Community Affairs to determine the effectiveness of this program.

UMDNJ/University Hospital Subsidy **\$30.85 Million**

A recent audit shows significant wasteful spending at UMDNJ continues despite all the reforms that have been put in place since previous accusations of Medicaid fraud. It has been reported that this additional funding will be used to bailout University Hospital with state funding instead of the current practice of UMDNJ supplementing University Hospital.

Payments in Lieu of Taxes **\$30 Million**

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 to 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. Former Assemblyman Manzo originally 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.

Trenton City Capital Aid **\$25 Million**

This would eliminate a special appropriation that is not provided to any other municipality.

Essex County Subsidy **\$18.5 Million**

The state provides an unjustified special subsidy to Essex County.

Institutional Earmarks**\$18 Million**

There are dozens of earmarks within higher education budgets. The earmarks override university and college control over their own budgets. For example, for the past several years Rutgers University was told to pass through a \$135,000 appropriation to E3CO. In addition, this budget is providing \$500,000 to Rutgers Athletic Department as a pass through hidden in budget language. State colleges and universities should not be told to distribute funding to entities for which they have no control. If funding is desired, it should be done as a line-item and not hidden in budget language.

Payments to Able-Bodied Single and Childless Couples – Reduce**\$17 Million**

The FY 2010 appropriation for this program has increased from \$72 million to \$89 million. This funding supports 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.

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. In addition, these individuals should be required to perform certain work-related activities in the municipalities or counties in which they live.

Extraordinary Aid**\$15 Million**

Examination of the applications for this program revealed that aid is not distributed or based on need, but rather on political consideration. This aid was originally intended to prevent an unexpected steep increase in municipal property taxes as a result of a catastrophic event. For the past eight years it has not been used for this purpose.

Sick Leave Injury**\$13 Million**

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 Civil Service Commission but budgeted within the Interdepartmental Accounts. New Jersey is one of only five 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.

Overtime**\$10.6 Million**

Departments must better prioritize human resources to reduce overtime. 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 to holiday policies that should be reconsidered. Also, vacancies exist in positions that if filled would reduce the need for overtime in an amount that would more than offset the amount to be paid for salaries and benefits.

State Rental Assistance Program**\$10 Million**

The Department of Community Affairs estimates that it will spend \$33 million for the program in FY 2009. This program seems to be over-funded by between \$10 million and \$15 million. In reviewing DCA estimates for FY 2010, it is unlikely that the program will expend the \$52 million budgeted for the program (\$32 million appropriation; \$20 million in dedicated Realty Transfer fees).

Contractual Costs Associated with Medical Care for Inmates**\$9.7 Million**

Fewer inmates and better care should result in costs going down. Paying for actual costs and not the number of inmates housed should reduce spending levels.

South Jersey Port Corporation Property Tax Reserve Fund**\$9.13 Million**

Some of this funding amounts to nothing more than a subsidy to Camden, which receives payments in lieu of taxes from the Port. The SJPC has had recent success and the State should no longer have to subsidize its operations.

Consolidation Fund**\$8 Million**

Balances in the Consolidation Fund are to be used to provide incentives for local governments to “conduct their work more efficiently.” As of March 23, 2009 none of the FY 2009 appropriation had been spent as funding in other line-items was sufficient. This is another example of a program created with the best intentions but having failed in its implementation. Surplus balances of \$2.78 million remain from FY 2009.

County Prosecutor Funding Initiative Pilot Program **\$8 Million**

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 program.

Regional Efficiency Aid Program (REAP) **\$6 Million**

This program provides State funds to 14 municipalities mainly in Hudson County. Property tax credits are provided directly to residents in these municipalities that have implemented regionalization and shared services and continue to be provided long after the initial savings were realized. This is a political payment.

New Jersey Sports and Exposition Authority **\$6 Million**

P.L. 1991, c. 375 approved the issuance of state contract bonds by the NJSEA. The contract requires the Treasurer to provide funds from the General Fund to pay the debt service on the bonds pursuant to the annual Appropriations Act. As of December 2007, the total amount issued for all state contract bonds was \$1.145 billion and the outstanding balance on bonds payable was \$629 million. The Governor's Budget recommends an increase of \$11.1 million to pay for the actual debt service for the NJSEA. Legislation was recently passed to stop the issuance of bonds without voter approval. The NJSEA should pick up the debt service on these new bonds. No explanation has been provided as to the need for this level of bonded indebtedness.

Purchase of Services for Inmates Incarcerated in County Facilities **\$5 Million**

The appropriation for this line-item is proposed to increase from \$21.376 million to \$31.214 million. The Department estimates a 5% increase in inmates being incarcerated in county facilities yet could not justify why there would be an increase in light of the fact that the prison population is declining. Also, it could not explain why a 5% increase in inmate population would equal a 46% increase in funding.

Elimination of the Department of the Public Advocate **\$ 4.35 Million**

Since its creation, the Department has not provided sufficient reasons for its continued existence. Spending for the programs operated out of this department have increased from \$13.16 million in FY 2005 to approximately \$17 million in FY 2009. Essential functions should be transferred to another appropriate department or agency.

Elimination of Compensation to Members of Commissions and Boards \$4 Million

Hundreds of politically connected people who occasionally meet and serve on various state boards and commissions receive full-time pension credit and health benefits, as if they are full-time employees. Individuals on these boards and commissions are eligible for a full year of pension credit, provided they were hired prior to recent pension reforms. These individuals should be removed from the profoundly underfunded pension system so the resources of the system can be used for hard working career employees.

Examples of boards that offer benefits are the Local Finance Board, Real Estate Commission, Public Employee Relations Commission, the various licensing boards in the Department of Law and Public Safety and the local boards of taxation. Even members of the Governor's own party have called for this reform.

Union County Subsidy \$3.9 Million

The state provides an unjustified special subsidy to Union County.

Reduce Sick Time Payout \$3.5 Million

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 \$3.5 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.

Cellular Wireless Devices (cell phones, blackberries, air cards, etc.) \$3 Million

Since 2003 the number of state-issued cellular wireless devices has increased from 3,613 to 18,369 and cost approximately \$7.7 million annually. Savings can be achieved by more closely monitoring who has a state-issued cellular wireless device and what services are being provided.

Tuition Reimbursement \$3 Million

Tuition reimbursement should be eliminated except in those instances in which continuing education is required as part of the job description or requirements. For example, the Department of Corrections reimbursed corrections officers for Introduction to Theater, Ceramics, Theater Appreciation, and Introduction to Music. A senior clerk typist was reimbursed for Microbiology and Human Anatomy coursework while a

Communications Operator was paid for taking classes that included Introduction to American Politics and the Principles of Geography. Additionally, State employees are being reimbursed for pursuing law degrees when a degree is not necessarily required for the job. This is the type of wasteful and arrogant spending that the State can no longer afford.

Family Planning

\$2.59 Million

Grants for Family Planning have increased dramatically since FY 2006. This option would drop funding to amounts last seen in FY 2007.

Council on Affordable Housing (COAH)

\$2.35 Million

The implementation of the new COAH regulations has placed an undue burden on municipalities which have been forced to meet ridiculous obligations and mandates. Reducing the amount available for its operations will provide an incentive for it to act responsibly.

Reduce Bills for Outside Counsel – Office of the Attorney General

\$2.35 Million

In her appearance before both the Senate and Assembly Budget Committees, the Attorney General admitted that because of unfilled Deputy Attorney General positions she has been forced to hire outside counsel for an ever increasing number of cases. The Attorney General also outsources legal work for certain specific cases.

These private sector attorneys charge almost twice the hourly rate of an in-house Deputy Attorney General. Last year the state spent \$26.5 million on outside counsel, 30% more than in the previous year, with most of the work going to large firms with political connections.

State Cars

\$1.5 Million

The proposed budget assumes that the State will hold title to 15,773 vehicles. There has been a steady increase in the number of cars since 2007. 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 purchase price of the new vehicles, cut fuel costs and reduce claims against the Vehicle Claims Liability Fund.

Payments to State Prisoners

\$1.5 Million

The State has approximately 23,000 inmates, some of whom are paid for work. Department of Corrections spokesman Matt Schuman said inmates who work receive between about \$1.75 and \$6 day. The Office of Legislative Services estimates that this is collectively worth about \$1.5 million. State savings could be used for victim restitution.

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. Spending on this commission has increased every year for the past three years. This function can adequately be performed by existing staff in the Office of Legislative Services.

Joint Committee on the Public Schools

\$355,000

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

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.