

ANALYSIS OF THE NEW JERSEY
FISCAL YEAR 1998 - 1999 BUDGET



DEPARTMENT OF PERSONNEL

PREPARED BY

OFFICE OF LEGISLATIVE SERVICES

NEW JERSEY LEGISLATURE

APRIL 1998

NEW JERSEY STATE LEGISLATURE

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

Robert E. Littell (R), 24th District (Sussex and parts of Hunterdon and Morris), *Chairman*
Peter A. Inverso (R), 14th District (Parts of Mercer and Middlesex), *Vice Chairman*
Anthony R. Bucco (R), 25th District (Part of Morris)
Walter J. Kavanaugh (R), 16th District (Parts of Morris and Somerset)
Bernard F. Kenny, Jr. (D), 33rd District (Part of Hudson)
Joseph M. Kyrillos, Jr. (R), 13th District (Parts of Middlesex and Monmouth)
Wynona M. Lipman (D), 29th District (Parts of Essex and Union)

GENERAL ASSEMBLY APPROPRIATIONS COMMITTEE

Richard H. Bagger (R), 22nd District (Parts of Middlesex, Morris, Somerset and Union), *Chairman*
Leonard Lance (R), 23rd District (Warren and parts of Hunterdon and Mercer), *Vice Chairman*
Francis J. Blee (R), 2nd District (Part of Atlantic)
Joseph Charles, Jr. (D), 31st District (Part of Hudson)
Steve Corodemus (R), 11th District (Part of Monmouth)
Clare M. Farragher (R), 12th District (Part of Monmouth)
John C. Gibson (R), 1st District (Cape May and parts of Atlantic and Cumberland)
Guy R. Gregg (R), 24th District (Sussex and parts of Hunterdon and Morris)
John V. Kelly (R), 36th District (Parts of Bergen, Essex and Passaic)
Joseph R. Malone, III (R), 30th District (Parts of Burlington, Monmouth and Ocean)
William D. Payne (D), 29th District (Parts of Essex and Union)
Nellie Pou (D), 35th District (Part of Passaic)
Louis A. Romano (D), 33rd District (Part of Hudson)
Joseph Suliga (D), 20th District (Part of Union)
Bonnie Watson Coleman (D), 15th District (Part of Mercer)
Joel M. Weingarten (R), 21st District (Parts of Essex and Union)

OFFICE OF LEGISLATIVE SERVICES

Alan R. Kooney, *Legislative Budget and Finance Officer*
Allan Parry, *Assistant Legislative Budget and Finance Officer*

Glenn E. Moore, III, *Director, Central Staff*
Aggie Szilagyi, *Section Chief, State Government Section*

This report was prepared by the State Government Section of the Office of Legislative Services under the direction of the Legislative Budget and Finance Officer. The primary author was Brian Volz with additional contributions by Joseph P. Capalbo.

Questions or comments may be directed to the OLS State Government Section (Tel. 609 292-9106) or the Legislative Budget and Finance Office (Tel. 609 292-8030).

DEPARTMENT OF PERSONNEL

Budget Pages..... D-251 to D-255

Fiscal Summary (\$000)

	Expended FY 1997	Adjusted. Appropriation FY 1998	Recommended FY 1999	Percent Change 1998-99
State Budgeted	\$26,961	\$26,251	\$26,882	2.4%
Federal Funds	280	0	0	—
<u>Other</u>	<u>0</u>	<u>2,500</u>	<u>2,549</u>	<u>2.0%</u>
Grand Total	\$27,241	\$28,751	\$29,431	2.4%

Personnel Summary - Positions By Funding Source

	Actual FY 1997	Revised FY 1998	Funded FY 1999	Percent Change 1998-99
State	493	434	447	3.0%
Federal	0	0	0	—
<u>O/EG99ther</u>	<u>0</u>	<u>3</u>	<u>4</u>	<u>33.3%</u>
Total Positions	493	437	451	3.2%

FY 1997 and revised FY 1998 personnel data reflect actual payroll counts. FY 1999 data reflect the number of positions funded.

Introduction

The Department of Personnel was established by the Civil Service Act (Title 11A), P.L. 1986, c.112. The department administers the personnel system for all of State government and provides personnel services to 20 of New Jersey's 21 counties and to numerous municipalities. The mission of the department is to develop and administer an effective, efficient and comprehensive personnel system based on merit and sound management principles, insure equitable treatment of employees, provide employee training programs and serve the public.

Key Points

- ! The FY 1999 Direct State Service (DSS) recommended appropriation for the Department of Personnel is \$26.9 million, a net increase of \$631,000, or 2.4 percent, above the FY 1998 adjusted appropriation. The changes are detailed on the following page.

Key Points

- ! The recommended budget anticipates the enactment of legislation to increase the \$5.00 application fee for open competitive and promotional examinations for police and firefighters. The fee increase is anticipated to generate \$1.2 million in additional revenue to fund departmental operations. This revenue will be available to the department to make up for a \$1.2 million reduction in salary funding.
- ! A new special purpose account - Classification and Compensation Redesign study (\$800,000) is recommended. According to the Budget in Brief, the new classification system will provide for a reduction in the number of civil service titles from 10,000 to 1,500. In addition, the department is developing a performance based pay (pay-for-performance) compensation system.
- ! The recommended budget also provides an additional \$1 million as part of a realignment of departmental costs for central information processing systems administered by the Office of Telecommunications and Information Systems (OTIS).
- ! The recommended budget for the Inter-Departmental Accounts (page D-340) anticipates savings of \$12.1 million to be achieved through Statewide initiatives. Included in this amount is \$2.0 million in anticipated savings from the elimination of the Sick Leave Injury benefits provided by N.J.S.A. 11A:6-8. The Sick Leave Injury program provides up to one year of leave with pay, plus payment for medical expenses, to individuals with work-related injuries.
- ! According to the Budget in Brief, in FY 1999, the department will undertake four initiatives as part of its ongoing operations: 1) replace the existing employee compensation system with a performance based system; 2) revise the rules (N.J.A.C. 4A:8-2.1) permitting permanent employees to displace (bump) less senior employees in similar titles; 3) seek to limit the amount of accumulated sick leave that county and municipal employees are eligible to receive upon retirement; and, 4) allow municipalities to opt out of the civil service system.
- ! Although not contained in the Department of Personnel's budget recommendation, there is a \$4 million recommendation in the Inter-Departmental Accounts (p.D-332) "to implement a seamless solution for statewide efficiency and effective management of human resource information." It is not clear how, if at all, this relates to the department's own information processing activities.

Background Papers

- ! Sick Leave Injury (SLI) pg. 21
- ! Civil Service Reform Issues pg. 24
- ! Employee Count pg. 27

Program Description and Overview

The Department of Personnel, formerly the Department of Civil Service, was established by the Civil Service Act (Title 11A), P.L. 1986, Chapter 112, which was signed into law on September 25, 1986 by then Governor Kean.

The department administers the personnel system for all 16 State Executive Departments, the Office of the Chief Executive, the Legislature, the Judiciary and miscellaneous State agencies. It also provides personnel services to 20 of New Jersey's 21 counties (Somerset County excluded) and over 300 municipalities and numerous autonomous bodies. The department develops and implements policy governing all phases of personnel administration. This includes the recruitment and examination of qualified candidates; ensuring equitable treatment of employees through its classification and compensation programs; guaranteeing equal employment opportunities; providing for employee appeals procedures; promoting affirmative action; and furnishing selected training programs to employees.

In FY 1996, the department was organized into seven program classifications: Personnel Policy Development and General Administration; Recruitment and Selection; Personnel Management Systems; Merit Services; Equal Employment Opportunity and Affirmative Action; Local Government Classification and Placement; and the Human Resource Development Institute. In FY 1997, the department consolidated Recruitment and Selection, Personnel Management Systems and Local Government Classification and Placement into a single program classification, State and Local Government Operations. These program classifications are described below:

Personnel Policy Development and General Administration

Exercises overall direction and control of the department's operations; develops proposals for revised legislation governing the public career system; issues official rules and regulations which implement the civil service statutes; considers non-disciplinary appeals, reviews hearings and renders decisions; evaluates and adjusts personnel programs; and provides general administrative support.

State and Local Government Operations

Provides all government agencies with support in organizational design, classification of job titles, and equitable compensation; recruits applicants; plans, schedules and conducts examinations; prepares lists of eligible candidates for State and local government positions; certifies the names of eligible candidates; administers performance appraisal systems; monitors and processes new hires; maintains employment records and monitors all personnel transactions to ensure compliance with Merit System law and department rules.

Merit Services

Provides professional, technical and clerical support services for the Merit System Board and the Commissioner of Personnel; investigates and responds to appeals; maintains agendas and schedules Board meetings; resolves disputes; prepares and reviews Merit System rules for inclusion in the New Jersey Administrative Code; and ensures compliance with laws and rules governing appointments and determinations.

Equal Employment Opportunity and Affirmative Action

Monitors affirmative action programs in State agencies for compliance with Executive Order No. 61, P.L. 1981, c.124 (N.J.S.A. 11A:7) and administers the federal Americans with

Program Description and Overview

Disabilities Act (ADA); develops and implements programs which insure appropriate representation of protected classes in State government; identifies barriers to equal employment opportunity in the existing merit system; and distributes information on equal employment opportunity and affirmative action programs.

Human Resource Development Institute

Compiles information on the human resource development and training needs of State government; advises the Governor of these needs; works with the various State agencies to prepare human resource development and training plans and programs; presents formal training courses to State government employees; and operates the Employee Advisory Service and implements employee interchange and internship programs.

In recent years, the department's responsibilities have undergone significant change. Executive Order No. 12 of 1990 transferred all the State's training functions to the department to create the Human Resource Development Institute. The Institute was first reflected in the department's budget in FY 1992. In FY 1995, Executive Order No. 41 (of 1994) transferred the eleven personnel and \$667,000 comprising the Office of Employee Relations from the Department of Treasury to the Department of Personnel to create the Division of Employee Relations. Executive Order No. 33 of 1995 subsequently transferred the division to the Office of the Governor. In FY 1994, the pilot program for the Time and Leave Reporting System (TALRS) was transferred from the Department of Treasury to the Department of Personnel.

The department has also initiated an automated placement system (RAPS) and replaced a mini computer system with a PC based LAN network which allows all employees to directly access the Personnel Management Information System (PMIS) and the automated Classification Support System (CSS). In addition, the department is continuing to add State agencies to TALRS and it has awarded a contract to Andersen Consulting to integrate personnel, payroll, pension, TALRS and benefit records into one integrated reporting system, called OMNI.

During 1997, the department implemented (under N.J.S.A. 11A:2-11 (i)) several pilot programs:

- ! Rapid Recruitment program - under this program, the department administers a test and generates a list of qualified job applicants in three to six weeks. The department has established a \$15 application fee (\$10 higher than the application fee established under P.L. 1992, c.187) for this program.
- ! Licensing and Certification - under this program, the department uses the licensing standards of certain professional and technical positions instead of traditional civil service tests as the qualifying criteria for a position in public service.
- ! Displaced Workers Pool - this program keeps some State employees, targeted for layoffs, on the State payroll. These employees perform work previously done by temporary or part-time employees until a full-time position becomes available through attrition. Twenty-six employees of the Department of Human Services participated in the program during FY 1997. The Administration indicated it would continue the program in FY 1998 to accommodate the estimated 100 personnel to be laid-off as part of the privatization (sale) of the Temporary Disability Insurance (TDI) program. However, this initiative was not enacted and no information has been provided to indicate if the program was continued

Program Description and Overview

during FY 1998.

- ! Expanded Choice in Hiring - under current civil service rules, a public employer must offer a position to one of the top three scorers. This program expanded the choice to the top ten scorers. The program was challenged in court by the Communication Workers of America (CWA) on the grounds the pilot program skirted civil service laws. An appeals court recently upheld the union's challenge.

The department has also indicated its intention to replace the existing compensation system with a pay-for-performance system. A new pay-for-performance compensation plan, for the 3,500 middle managers and 2,000 non-aligned employees affected by salary compression, was scheduled for implementation last July (FY 1998). This compensation plan had two objectives: 1) to fix salary compression throughout the State; and 2) give managers a salary increase based on performance.

FY 1999 Budget Overview

Although the department's FY 1999 budget recommendation of \$26.9 million (an increase of \$631,000 from its FY 1998 adjusted appropriation) appears to permit a continuation of services at current levels, the amount recommended for the Salaries and Wages account is \$1,209,000 less than the FY 1998 adjusted appropriation. The entire reduction is recommended for the State and Local Government Operations program classification. According to the Budget in Brief (p.90) and the FY 1999 Budget Message (p.D-251), the department expects to offset this reduction by retaining additional revenues from the enactment of legislation (not yet introduced) to increase the \$5.00 application fee (N.J.S.A. 11A:4-1.1) for open and competitive and promotional examinations for police and firefighters. The fee increase is expected to generate \$1,200,000 in additional revenue to fund departmental operations.

Offsetting the \$1.2 million reduction for Salaries and Wages is a \$1 million increase for Services Other Than Personal and \$800,000 for a new special purpose account - Classification and Compensation Redesign study. According to the Budget in Brief (p.90), the new classification system will result in a reduction in the number of civil service titles from 10,000 to 1,500. In addition, the department is developing a performance based pay (pay-for-performance) system.

The \$1 million increase for Services Other Than Personal is recommended to pay for central data processing services provided by the Office of Telecommunications and Information Systems (OTIS). According to the Budget in Brief (p.90), the \$1 million is part of a "realignment of departmental costs".

Off-Budget Items

In addition to direct State appropriations, budget language (p.D-255) permits the department to retain and spend receipts derived from other sources: receipts from the \$5.00 application fee for open competitive and promotional examinations, receipts from the proposed fee increase for open competitive and promotional Police and firefighter titles, receipts from providing training services to State agencies and local governments, and receipts from providing the Employee Advisory Service to local governments. In FY 1997, the department received \$1,845,000 from these fees. The department anticipates receiving \$2,327,000 in FY 1998 and FY 1999. The department also received \$173,000 in FY 1998 and expects to receive \$222,000 in FY 1999 from the Department of Banking and Insurance (industry assessments) for the Shared Services Pilot Program.

Program Description and Overview

Recent legislation, P.L. 1996, c.46, permits the Commissioner of Personnel to establish an additional \$5 application fee (in addition to the \$5 fee established under P.L. 1992, c.197) for open competitive and promotional examinations in State service to fund the displaced workers pool program for employees scheduled to be laid off. A pilot program, limited to 26 direct care, clerical and building maintenance workers in the Department of Human Services, was implemented in FY 1997. Because of the pilot status of the program, the Commissioner has not assessed the additional \$5 application fee.

Civil Service Reform Issues

The Governor has proposed additional changes that would affect the Department of Personnel and the civil service system in FY 1999. According to the FY 1999 Budget in Brief (p.90), the department will undertake four new initiatives as part of its ongoing operations: 1) replace the existing employee compensation system with a performance based system; 2) revise the rules (N.J.A.C. 4A:8-2.1) permitting permanent employees to displace (bump) less senior employees in similar titles during reduction-in-force situations; 3) limit the amount of accumulated sick leave that county and municipal employees are eligible to receive upon retirement; and, 4) allow municipalities to opt out of the civil service system. The administration has the authority to implement the first two of these proposals administratively; the other two proposals require enabling legislation.

The "Civil Service Act," P.L. 1986, c.112 (N.J.S.A. 11A:1-1 et seq.), gives the Commissioner of Personnel broad powers in the area of employee compensation (N.J.S.A. 11A:3-7) and the Merit System Board, located within the department, broad authority (N.J.S.A. 11A:8-1) regarding the order of layoff and employee rights (bumping). To date, there has been no announcement from the department as to how it will implement a new pay-for-performance compensation plan or revise bumping. Although the Governor does not need legislation to establish a new compensation plan or to eliminate bumping, it may be difficult to impose changes during a contract period without the consent of the employee unions because these programs are included in the contracts covering most State employees. Current contracts for most State employee groups expire on June 30, 1999.

Under current law (N.J.S.A. 11A:9-2 and 11A:9-3), local governments may elect to join the civil service system, however, there is no provision in the law for a county or municipality in the civil service system to withdraw from the system. Legislation has been introduced (Assembly Bill No. 851 of 1998) to permit local governments to rescind the adoption of Title 11A (Civil Service) if the majority of voters vote in favor of withdrawal in a municipal election.

Eligible State employees, upon retirement, are entitled to receive supplemental compensation for any earned and unused accumulated sick leave (N.J.S.A. 11A:6-16). These cash payments are calculated at the rate of one-half of the employee's daily rate of pay at the time of retirement for each day of accumulated sick leave, up to a maximum of \$15,000. There is no similar provision in the statute for local government employees so the amount of compensation for accumulated sick leave may be negotiated collectively or individually. Senate Bill No. 50 of 1998 would limit this compensation for local government and school board employees to a maximum of \$15,000.

The \$88.6 million budget recommendation in the Inter-Departmental Accounts for Salary Increases and Other Benefits (program classification) reflects an offsetting reduction of \$12.2 million to be achieved through a variety of Statewide Efficiency Initiatives in the various agency accounts. According to the Budget in Brief (p.42), these initiatives will involve changes in overtime policy,

Program Description and Overview

smarter procurement and the elimination of the Sick Leave Injury (SLI) benefits provided under N.J.S.A. 11A:6-8. The Office of Management and Budget (OMB) estimates the net savings from eliminating the Sick Leave Injury Program at \$2.0 million.

The SLI program provides up to one year of leave with pay plus payment of medical expenses to employees who are injured on the job. The federal government has a similar program, called Continuation of Pay, that provides up to 45 days of leave. Although most other states seem to rely on Workers' Compensation, many provide additional disability insurance. The main difference between SLI benefits and Workers' Compensation is that SLI provides wage continuation (full salary) while Workers' Compensation (in New Jersey) provides 70 percent of wages, capped at \$496 per week.

Organization Chart

Fiscal And Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS (\$000)

	Expended FY 1997	Adj. Approp. FY 1998	Recom. FY 1999	Percent Change	
				1997-99	1998-99
<u>General Fund</u>					
Direct State Services	\$26,961	\$26,251	\$26,882	-0.3%	2.4%
Grants - In - Aid	0	0	0	0.0%	0.0%
State Aid	0	0	0	0.0%	0.0%
Capital Construction	0	0	0	0.0%	0.0%
Debt Service	0	0	0	0.0%	0.0%
Sub-Total	\$26,961	\$26,251	\$26,882	-0.3%	2.4%
<u>Property Tax Relief Fund</u>					
Direct State Services	\$0	\$0	\$0	0.0%	0.0%
Grants-In-Aid	0	0	0	0.0%	0.0%
State Aid	0	0	0	0.0%	0.0%
Sub-Total	\$0	\$0	\$0	0.0%	0.0%
Casino Revenue Fund	\$0	\$0	\$0	0.0%	0.0%
Casino Control Fund	\$0	\$0	\$0	0.0%	0.0%
State Total	\$26,961	\$26,251	\$26,882	-0.3%	2.4%
Federal Funds	\$280	\$0	\$0	-100.0%	0.0%
Other Funds	\$0	\$2,500	\$2,549	----	2.0%
Grand Total	\$27,241	\$28,751	\$29,431	8.0%	2.4%

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 1997	Revised FY 1998	Funded FY 1999	Percent Change	
				1997-99	1998-99
State	493	434	447	-9.3%	3.0%
Federal	0	0	0	0.0%	0.0%
All Other	0	3	4	----	33.3%
Total Positions	493	437	451	-8.5%	3.2%

FY 1997 and revised FY 1998 personnel data reflect actual payroll counts. FY 1999 data reflect the number of positions funded.

AFFIRMATIVE ACTION DATA

Total Minority Percent	31.1%	33.3%	34.9%	----	----
------------------------	-------	-------	-------	------	------

Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 1998</u>	<u>Recom.</u> <u>FY 1999</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
Salaries and Wages	\$20,137	\$18,928	(\$1,209)	(6.0)%	D-254

This entire reduction is recommended for the State and Local Government Operations program classification. This program provides government agencies with support in organizational design, classification of job titles, and compensation; plans, schedules and conducts civil service examinations; prepares lists of eligible candidates for State and local government positions; administers performance appraisal systems; and maintains employment records and all personnel transactions to ensure compliance with Civil Service statutes and department rules.

The department expects to offset this reduction by raising and retaining additional revenues. The recommended budget anticipates the enactment of legislation (not yet introduced) to increase the \$5.00 application fee for individuals applying for open competitive and promotional examinations for police and firefighter positions. The fee increase is anticipated to generate \$1,200,000 in additional revenue to fund departmental operations. The department received \$805,000 in application fees in FY 1997 and has collected \$288,570 in FY 1998 to date (March 11). To raise an additional \$1,200,000 in revenues will require either a substantial increase in the exam fee or a very large number of applicants. For example, if the application fee were raised to \$30, the department would need 48,000 individuals to apply for an open competitive or promotional police or firefighter examination to net an additional \$1,200,000 above the amount collected from the current \$5 application fee.

Services Other than Personal	\$3,613	\$4,613	\$1,000	27.7%	D-254
-------------------------------------	----------------	----------------	----------------	--------------	--------------

This account is earmarked to pay for central data processing services provided by the Office of Telecommunications and Information Systems (OTIS). According to the Budget in Brief (p.90), the \$1 million increase is part of a "realignment of departmental costs", presumably to better reflect actual OTIS charges.

As recently as FY 1994, the department spent \$4.3 million in the budget category Services Other Than Personal. Expenditures through this account declined to \$4.0 million in FY 1995, \$3.6 million in FY 1996 and \$3.2 million in FY 1997. According to information in the department's FY 1996 Budget Request, the department used the proceeds from the issuance of Certificates of Participation to purchase a new PC based local area network (LAN network) computer system to replace an older Prime mini-computer system, thereby decreasing the need for payments to OTIS.

Although no further explanation has been provided for the recommended increase, the pilot program for the Time and Leave Reporting System (TLARS) was transferred from the Department of Treasury to the Department of Personnel in FY 1994.

Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 1998</u>	<u>Recom.</u> <u>FY 1999</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
Classification and Compensation Redesign	\$0	\$800	\$800	—	D-254

According to the Budget in Brief (p. 90), these funds are for a "classification and compensation redesign study. . . that will provide for: a significant reduction in the number of titles from 10,000 to 1,500; a direct link for public sector pay to the marketplace; an integration of State and local government classification methodologies; and employee growth and development and performance based pay."

Shared Services Pilot Program	\$136	\$176	\$40	29.4%	D-254
-------------------------------	-------	-------	------	-------	-------

Language in the FY 1998 Appropriations Act authorized the department to consolidate the personnel functions of any department or agency within the Department of Personnel and authorized the transfer of any appropriations made to those departments to the Department of Personnel to fund the consolidation. During FY 1998, the personnel functions of the Departments of Banking and Insurance, Commerce and Economic Development, and State were consolidated within the Department of Personnel. The FY 1998 adjusted appropriation of \$136,000 represents partial-year funding for nine positions transferred as a result of the consolidation. The additional \$40,000 recommended for FY 1999, along with assessments provided by the Department of Banking and Insurance (which is funded by the industries it regulates), is to provide full-year funding for these positions.

Language Provisions

1998 Appropriations Handbook

p.B-179

Receipts derived from fees charged to applicants for open competitive or promotional examinations are appropriated.

Receipts derived from training services and any unexpended balance as of June 30, 1997 are appropriated.

Receipts derived from Employee Advisory Services are appropriated.

1999 Budget Recommendations

p.D-255

Receipts derived from fees charged to applicants for open competitive or promotional examinations are appropriated subject to the approval of the Director of the Division of Budget and Accounting.

Receipts derived from training services and any unexpended balance as of June 30, 1998 are appropriated subject to the approval of the Director of the Division of Budget and Accounting.

Receipts derived from Employee Advisory Services are appropriated subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

The recommended language permits the department to charge fees for certain activities and retain the revenue from these fees to fund departmental activities subject to the approval of the Director of the Division of Budget and Accounting. The additional language (subject to the approval of the Director of the Division of Budget and Accounting) means that revenues in excess of the amount anticipated in the budget are not automatically appropriated to the department.

N.J.S.A. 11A:4-1.1 allows the department to charge a \$5.00 application fee for open competitive and promotional civil service examinations. The department received \$886,000 in application fee revenue in FY 1996 and \$805,000 in FY 1997. As of March 11, 1998, the department has collected \$288,570.

According to the Budget in Brief (page 90), and the Budget Message (page D-251), the department's FY 1999 recommended budget has been reduced \$1.2 million in anticipation of Legislative approval permitting the department to charge higher fees to applicants for police and firefighter open competitive and promotional examinations. The department anticipates collecting an additional \$1,200,000 in FY 1999 if legislation is enacted. To raise an additional \$1,200,000 in revenues will require either a substantial increase in the exam fee or a very large number of applicants. For example, if the application fee were raised to \$30, the department would need 48,000 individuals to apply for an open competitive or promotional police or firefighter examination to net an additional \$1,200,000 above the amount collected from the current \$5 application fee.

The department charges State agencies and local governments for providing training programs and employee counseling programs (e.g; drug and alcohol abuse programs). According to page C-11 of the Budget Message, the department collected \$1,040,000 in EAS and training fees in FY 1997. The department anticipates receiving \$618,000 in EAS and training fees in FY 1998 and FY 1999.

Language Provisions

Of this total, approximately \$581,000 is from training fees and \$37,000 from EAS fees.



1998 Appropriations Handbook

1999 Budget Recommendations

p. B-179

In addition to the amount appropriated hereinabove, appropriations made to the various spending agencies for personnel functions shall be transferred to the Department of Personnel, subject to an itemized plan for the consolidation of personnel functions, as shall be submitted by the Commissioner of the Department of Personnel and approved by the Director of the Division of Budget and Accounting.

No comparable language.

Explanation

This language authorized the department to consolidate the personnel functions of any department or agency within the Department of Personnel and authorized the transfer of any appropriations made to those departments to support those functions to the Department of Personnel to fund the consolidation. During FY 1998, the personnel functions of the Departments of Banking and Insurance, Commerce and Economic Development, and State were consolidated within the Department of Personnel. Language is not included in the FY 1999 budget because the department does not intend to consolidate any additional agencies in FY 1999 and because the funding for the transferred positions is included in the Department of Personnel's FY 1999 recommended budget as a special purpose account - Shared Services Pilot Program - \$176,000 and the department anticipates receiving \$222,000 in dedicated revenues from Department of Banking and Insurance from industry assessments.



Language Provisions

1998 Appropriations Handbook

p.B-179

The Director of the Division of Budget and Accounting is authorized to transfer or credit to the Department of Personnel all or part of any appropriation made to any account to fund the State's unemployment insurance liability for the purpose of creating a pilot "displaced workers pool" and funding the salaries of State employees scheduled to be laid off.

1999 Budget Recommendations

p.D-255

The same language.

Explanation

During FY 1997, the department established a pilot program called, "displaced workers pool". The program keeps certain State employees targeted for layoffs on the State payroll while working in place of temporary or part-time employees and while waiting for the next available full-time vacancy to occur through attrition. The program is generally limited to workers in positions that experience sufficient turnover that a position will become available through attrition within six months. The cost of their salaries is partially funded by avoiding Unemployment Insurance payments and partially by reducing the number of part-time or temporary employees.

The pilot program implemented in FY 1997 was extended to 68 direct-care, clerical and building maintenance workers of the Department of Human Services. Of the 68 employees eligible to participate in the pilot program, 27 were placed in vacant positions in other State agencies through job placement efforts or retired. According to the department, out of the remaining 41 employees; 26 elected to participate in the Displaced Workers Pool and 15 elected to collect unemployment benefits. All 26 of the participants were placed in permanent positions.

The administration indicated that it intended to expand the program in FY 1998 to accommodate approximately 100 personnel to be laid-off as part of a proposal to privatize the Temporary Disability Insurance program. This initiative was not implemented. The department has not provided information on how many, of the 735 employees subject to layoffs and privatization in FY 1998, if any, were eligible for and participated in the displaced worker pool program during FY 1998, nor information on how many, of the 995 employees subject to layoff, might be eligible for and participate in FY 1999.

Language Provisions

1998 Appropriations Handbook

p.B-179

Notwithstanding the provisions of NJSA 11A:6-32, cash awards for suggestions shall be paid from the operating budget of the agency from savings generated by the suggestion, subject to the approval of the Director of the Division of Budget and Accounting.

1999 Budget Recommendations

p.D-255

The same language.

Explanation

The State employee Suggestion Awards Program was established in 1952 to improve State government by rewarding employees for new ideas which result in economy, efficiency or improved services to the public. Employees are eligible to receive monetary awards ranging from \$50 to \$10,000. Prior to FY 1997, the department was appropriated \$100,000 in a special purpose account to fund the salary of the one position that provided staff to this program and funds to pay the actual cash awards to eligible employees. No funds were appropriated for this program in FY 1998 and none are recommended for FY 1999. This language requires each State department or agency to pay any cash awards to employees from the agency operating budget.

Discussion Points

1. Although the department's \$26.9 million FY 1999 budget recommendation (an increase of \$631,000, or 2.4 percent above the FY 1998 adjusted appropriation) appears to permit a continuation of services at current levels, the recommendation for the Salaries and Wages account is \$1,209,000 less than the FY 1998 adjusted appropriation. The entire reduction is recommended for the State and Local Government Operations program classification. According to the Budget in Brief (p.90) and the FY 1999 Budget Message (p.D-251), the department expects to offset this reduction by retaining additional revenues from the enactment of legislation (not yet introduced) to increase the \$5.00 application fee for open competitive and promotional examinations for police and firefighters. The fee increase is expected to generate \$1,200,000 in additional revenue to fund departmental operations. To raise an additional \$1,200,000 in revenues will require either a substantial increase in the exam fee or a very large number of applicants. For example, if the application fee were raised to \$30, the department would need 48,000 individuals to apply for an open competitive or promotional police or firefighter examination to net an additional \$1,200,000 above the amount collected from the current \$5 application fee.

! *Questions: On average, how many applications for police and firefighter examinations does the department receive annually? How would the department offset the effects of revenue not realized if the number of applicants for police and firefighter exams is not as high as anticipated or if legislation increasing the exam fee is not enacted?*

2. The FY 1999 recommended budget includes \$800,000 for a new special purpose account - Classification and Compensation Redesign study. According to the Budget in Brief, the new classification system will result in a reduction in the number of civil service titles from 10,000 to 1,500. In addition, the department is developing a performance based pay (pay-for-performance) compensation system.

Reducing the number of civil service titles and changing the State compensation plan have been goals of the department for a number of years. During the FY 1996 appropriation process, the department stated that it intended to accelerate the consolidation and elimination of State employee job titles. In FY 1997, the department stated "the plan to overhaul the existing system resulted from an extensive research effort completed in this fiscal year, including examination of trend setting systems in other public and private agencies, literature reviews, focus groups with all customers and stakeholders in the process, and finally, the proposing of several models to be considered in the final design. The implementation of this new classification and compensation model for the state workforce is targeted for FY 97." The department testified in FY 1998 that the classification scheme is to be linked to the Standard Occupational Classification (SOC) program about to be introduced by the U.S. Department of Labor (DOL).

! *Questions: What is the status of the DOL's Standard Occupational Classification program? If the State intends to cross-walk State titles to the federal model, in what way are the funds requested in FY 1999 for the Classification and Compensation Redesign study complementary or supplementary to the DOL's Standard Occupational Classification program?*

3. In FY 1998 \$93,050,000 was appropriated to the Inter-Departmental Accounts for Salary Increases and Other Benefits. Included in this amount was \$16.0 million to provide pay increases to 3,500 managers and 2,000 non-aligned employees who have received limited salary increases since a salary cap was imposed in 1983. The limited salary increases provided to these employees

Discussion Points

created a situation, known as salary compression, where many non-management employees, who have received regular cost-of-living adjustments and/or increments, sometimes have higher salaries than the managers who supervise them.

According to the department, the pay for performance model developed for the management salary program (managers and non-aligned employees) was slated for implementation last July. The management salary program had two main objectives: 1) to fix compression throughout government; and 2) give managers a salary increase based on performance.

! *Questions: What pay-for-performance model was adopted for the managers and non-aligned employees? How is the performance of the managers and non-aligned employees measured? What "rating" categories have been adopted to determine salary adjustments? How many of these employees received superior, satisfactory, or unsatisfactory ratings? What types of salary adjustments were awarded and what were the percentage and dollar amounts of the awards?*

4. In FY 1997, the department awarded a contract to Andersen Consulting to reengineer the processes associated with Human Resources across the State. This project was called OMNI. OMNI is "designed to replace the separate and redundant data systems for personnel, payroll, position control and pensions, with a centralized, paperless system." According to the department's FY 1998 budget request: "Through the OMNI project, we are ready to make the technological changes needed to integrate the State's Personnel, Payroll, Position Control, Pension and Benefit systems . . . PMIS provides the infrastructure for OMNI. OMNI is a Government that Works project designed to replace the separate and redundant data systems for personnel, payroll, position control and pensions, with a centralized, paperless system. The first phase of OMNI has been completed."

The Personnel Management Information Systems project (PMIS) is an electronic personnel record system linked with the Office of Management and Budget and Centralized Payroll. The PMIS system maintains an electronic record of all personnel actions.

The Inter-Departmental Accounts FY 1999 recommended budget includes \$11 million for various computer-based Interdepartmental Initiatives. According to the Budget in Brief, \$4 million is to begin to "implement a seamless solution to provide for the statewide efficient and effective management of all human resource information".

! *Questions: Is the \$4 million recommendation "to implement a seamless solution to provide for the statewide efficient and effective management of all human resource information" part of the Department of Personnel's OMNI project? If this is a continuation of the OMNI project, please explain how the additional funds will be used and detail the total estimated cost of implementing this project? Please provide a copy of the OMNI master plan.*

5. The \$4,613,000 FY 1999 recommendation for Services Other Than Personal is an increase of \$1,000,000, or 27.7 percent, above the FY 1998 adjusted appropriation. The entire amount is earmarked to pay for central data processing services provided by the Office of Telecommunications and Information Systems (OTIS). According to the Budget in Brief (p.90), the \$1 million increase is part of a realignment of departmental costs.

Discussion Points

As recently as FY 1994, the department spent \$4.3 million in the budget category Services Other Than Personal. Expenditures through this account declined to \$4.0 million in FY 1995, \$3.6 million in FY 1996 and \$3.2 million in FY 1997. According to information in the department's FY 1996 Budget Request, the department used the proceeds from the issuance of Certificates of Participation to purchase a new PC based local area network (LAN network) computer system to replace an older Prime mini-computer system, thereby decreasing the need for payments to OTIS.

! **Questions:** Why are the department's payments to OTIS increasing by \$1 million (27.7%) in FY 1999? What services are provided to the department by OTIS and how much does OTIS charge for each program?

6. The FY 1998 budget contains language authorizing the department to consolidate the personnel functions of any department or agency within the Department of Personnel. According to the Department's presentation to the FY 1998 appropriation committee hearings: "The first stage of the program will be the provision of shared services to the Department of Banking and Insurance, the Department of State (including its "in but not of" Office of Administrative Law) and the Department of Commerce and Economic Development."

! **Question:** Please identify the number of positions consolidated, the number of positions reduced and the salary and fringe benefit savings realized.

7.a. According to the FY 1999 Budget in Brief (p.90), the department will undertake four new initiatives as part of its ongoing operations: 1) replace the existing employee compensation system with a performance based system; 2) revise the rules (N.J.A.C. 4A:8-2.1) permitting permanent employees to displace (bump) less senior employees in similar titles; 3) seek to limit the amount of accumulated sick leave that county and municipal employees are eligible to receive upon retirement; and, 4) allow municipalities to opt out of the civil service system.

! **Questions:** Identify the procedure for accomplishing these changes, i.e., legislation, executive order, or administrative rule. Please explain in what ways these changes may impact the department or the State's FY 1999 budget.

7.b. According to the FY 1999 Budget in Brief (p.90), the department "will seek to limit the amount of sick leave that county or municipal employees will be able to receive upon retirement." While State employees are limited to a maximum of \$15,000 in unused sick leave at retirement, there is no similar provision in local government service. In addition, the department is requesting legislation "to allow municipalities to opt out of civil service. The flexibility given to appointing authorities, to choose to reject the Merit System in preference of other alternatives, will put more local officials back in charge of their local workforces. Accordingly, the services currently provided by the Department of Personnel will evolve to better serve the needs of the remaining agency customers."

! **Question:** Please discuss why the department is proposing to seek a limit on the amount of supplemental compensation for any earned and unused accumulated sick leave municipal employees may receive upon retirement, currently negotiated as part of a collective bargaining agreement. Please discuss how allowing municipalities to opt out of civil service will permit the department to better serve the remaining agency customers. What evaluation processe(s) is used by local government employers, not participating in civil service, to evaluate applicants for possible employment?

Discussion Points

8. Under N.J.S.A. 11A:2-11 (i), the department may establish pilot programs. The statute limits pilot programs to a maximum duration of one year. During FY 1997, the department initiated a pilot program called Rapid Recruitment. Under the Rapid Recruitment program, the department administers a test and generates a list of qualified job applicants for existing vacancies within three to six weeks of the job announcement. To fund the start-up costs of this program, the department charged a \$15 application fee (\$10 higher than the application fee established under P.L. 1992, c.187). The department has indicated that this pilot program will be continued in FY 1999.

An appeals court recently determined, in Communication Workers of America, AFL-CIO, v. New Jersey Department of Personnel, Docket No. A-3195-95T1 (App. Div. 1997) that a pilot program that gives the State and local government employers the ability to hire any of the top ten scorers on a civil service examination is illegal on the grounds it skirted civil service law.

! Question: Please indicate in what ways continuation of the Rapid Recruitment program beyond one year and charging an application above the \$5.00 fee provided by statute is not in conflict with civil service law and the court opinion.

9. Language was included in the FY 1997 Appropriations Act authorizing the department to create a pilot Displaced Workers Pool program. The program keeps certain State employees targeted for layoffs on the State payroll. These employees perform the work previously done by temporary or part-time employees while waiting for the next available full-time vacancy to occur through attrition. The program is generally limited to workers in positions that experience sufficient turnover that a position will likely become available through attrition within six months. The cost of the salaries is partially funded by avoiding Unemployment Insurance payments and partially by reducing the number of part-time or temporary workers.

The pilot program implemented in FY 1997 was extended to 68 direct-care, clerical and building maintenance workers of the Department of Human Services. Of the 68 employees eligible to participate in the pilot program, 27 were placed in vacant positions in other State agencies through job placement efforts or retired. According to the department, out of the remaining 41 employees, 26 elected to participate in the Displaced Workers Pool and 15 elected to collect unemployment benefits. All 26 of the participants were placed in permanent positions.

The administration indicated that it intended to expand the program in FY 1998 to accommodate approximately 100 personnel to be laid-off as part of a proposal to privatize the Temporary Disability Insurance program. This initiative was not implemented.

! Questions: How many, of the 735 employees subject to layoffs and privatization in FY 1998, were eligible for and participated in the Displaced Workers Pool program in FY 1998? How many of the 995 employees subject to layoff might be eligible for and would participate in the program in FY 1999?

10. The \$88.6 million budget recommendation in the Inter-Departmental Accounts for Salary Increases and Other Benefits (program classification) reflects an offsetting reduction of \$12.2 million to be achieved through a variety of Statewide Efficiency Initiatives in the various agency accounts. According to the Budget in Brief (p.42), these initiatives will involve changes in overtime policy, smarter procurement and the elimination of the Sick Leave Injury (SLI) benefits provided under N.J.S.A. 11A:6-8. The Office of Management and Budget (OMB) estimates the net savings from eliminating the Sick Leave Injury Program at \$2.0 million.

Discussion Points

The SLI program provides leave with pay to employees who are injured on the job. It provides up to one year of leave with pay plus payment of medical expenses. The federal government has a similar program, called Continuation of Pay, that provides up to 45 days of leave. Although most other states seem to rely on Workers' Compensation, many provide additional disability insurance. The main difference between SLI benefits and Workers' Compensation is that SLI provides wage continuation (full salary) while Workers' Compensation provides 70 percent of wages, capped at \$496 per week.

- ! **Questions:** Please explain how the estimated savings was derived. How much additional funding will have to be appropriated for the State's self-insured Workers' Compensation program if SLI is abolished?

Background Paper: Sick Leave Injury (SLI)

The recommended budget for the Inter-Departmental Accounts (p.D-340), anticipates savings of \$12.1 million to be achieved through a variety of Statewide Efficiency Initiatives. According to the Budget in Brief (p.42), these initiatives will involve changes in overtime policy, smarter procurement and the elimination of "duplicative benefits for sick leave," namely Sick Leave Injury (SLI) benefits provided under N.J.S.A. 11A:6-8 and as negotiated in the current collective bargaining agreements. The Office of Management and Budget (OMB) estimates the savings from eliminating the SLI program at \$2.0 million. It is not clear if this estimate reflects the net savings after taking into account that eliminating the SLI program would shift injured employees into the Workers' Compensation program, thereby increasing the costs to that program; or partial year savings because of the uncertainty as to when legislation will be enacted to eliminate SLI.

Background

The State provides loss of income protection and reimbursement of medical expenses to State and local government employees, injured on the job, through three programs: Sick Leave (N.J.S.A. 11A:6-5); Sick Leave Injury (N.J.S.A. 11A:6-8); and Workers' Compensation (N.J.S.A. 34:15-1 et seq.). While provided by law, these programs are also included in the collective bargaining agreements covering most State and local government employees. Although these programs provide similar, and sometimes overlapping benefits, they are managed as separate and completely independent programs. For example, the Division of Risk Management administers the Workers' Compensation program while each department administers its own SLI program with SLI claims paid out of a central account in the Department of Treasury.

Sick Leave

Full-time State and local government employees receive 15 sick leave days with pay per year. Unused sick leave may be accumulated without limit. Sick leave may be utilized by employees when they are unable to perform their work by reason of personal illness or accident. In addition, sick leave may be used for short periods because of a death in the employee's immediate family or to attend to a family member who is seriously ill.

Eligible employees, upon retirement, are entitled to receive supplemental compensation for any earned and unused sick leave. However, State employees are limited to a maximum of \$15,000 in unused sick leave at retirement. There is no similar "capping" provision in local government service.

Workers' Compensation

The Workers' Compensation program (N.J.S.A. 34:15-1 et seq.) was enacted in 1911. The primary goal of Workers' Compensation is to provide income maintenance for employees whose work-related injuries or illnesses involve significant lost time. (A similar program, Temporary Disability Insurance (N.J.S.A. 43:21-25 et seq.), provides benefits to individuals who cannot work because of non work-related sickness or injury.) The State, as a self-insured employer, annually appropriates funds in the Inter-Departmental Accounts (Workers' Compensation Fund, p.D-334) to reimburse State employees for work-related injuries.

The overall program is managed by the Division of Workers' Compensation in the Department of Labor. The Division of Risk Management, in the Department of Treasury, is responsible for ensuring that proper cash and medical benefits are paid to State workers who have been injured on the job or who have contracted a job-related illness.

Background Paper: Sick Leave Injury (SLI)

Workers' Compensation benefits are provided through three procedures: voluntary direct settlements; informal hearings; and formal hearings. Voluntary payments made by insurance carriers and self-insurers are reviewed by the Department of Labor as to adequacy of payments. If these payments are inadequate, an informal hearing is scheduled. If an equitable settlement cannot be reached, a formal claim may be filed. Formal claims are heard by Workers' Compensation judges.

Under Workers' Compensation, employees generally receive a designated percentage of their pre-injury salary up to a cap based on the state's average weekly wage. In New Jersey, the Workers' Compensation benefits are 70 percent of salary up to a cap of \$496 per week plus medical benefits.

Although some states provide 100 percent of salary, the benefit maximums in many states fall short of full-income maintenance. As a consequence, some states and private employers, including New Jersey, provide supplemental or complementary programs, either through statute or through collective bargaining agreements. This is especially true for particular fields, such as public safety employees. Collective bargaining agreements covering public safety workers usually provide for the payment of benefits by the employer to make up the difference between the statutory Workers' Compensation benefits and the pre-injury wage.

Sick Leave Injury

Under current law and collective bargaining agreements, State employees, employees of school districts and local government employees who are injured on the job may be eligible for the Sick Leave Injury or similar insurance programs. SLI benefits were initially established by P.L. 1939, c.232 and the "Civil Service Act," P.L. 1986, c.112 (N.J.S.A. 11A:1-1 et seq.), continued the program.

SLI is a separate program from the Workers' Compensation program. Under SLI, employees collect 100 percent of their salary and continue to accrue all benefits. The employee must continue to pay income taxes and both the employee and employer continue to pay Social Security and other payroll taxes. Under Workers' Compensation, the employee receives 70 percent of compensation up to a cap of \$496 per week. Workers' Compensation benefits are not taxable and the employee only retains certain benefits. Since the State pays the employee's full salary under SLI, the Workers' Compensation court accepts SLI in lieu of the legal requirement to pay Workers' Compensation benefits.

The SLI program provides up to one year of leave with pay to employees with work-related injuries, plus payment of medical expenses. Eligibility is limited to disabilities occurring on work premises during normal work hours and in the course of specific duties. There are restrictions for pre-existing conditions, employee gross negligence and psychological or psychiatric illness. The appointing authority (department or agency) recommends SLI with the Department of Personnel approving or denying requests and handling appeals. The Division of Risk Management, in the Department of Treasury, processes and pays all medical costs.

Employees eligible for SLI benefits are not charged ordinary sick leave or vacation leave or time away from work. Upon exhaustion of SLI benefits, the employee has the option to draw upon accumulated sick leave or the employee may become eligible for Workers' Compensation benefits if the injury requires further absence from work.

Background Paper: Sick Leave Injury (SLI)

The federal government has a similar program, called Continuation of Pay, providing 100 percent of salary for up to 45 days.

According to the Department of Personnel, in 1993, 5,345 employees qualified for 61,000 SLI benefit days worth an estimated \$7 million in salaries paid. Nearly 80 percent of the claims for SLI benefits are from the Departments of Corrections, Human Services and Transportation.

Legislative Considerations

The Sick Leave Injury program is more generous than Workers' Compensation. SLI provides for the continuation of full employee salary and benefits (up to one year). In addition, SLI benefits go into effect immediately upon approval and do not require an injured worker to use up regular sick leave days first.

Cost savings from abolishing or changing the SLI program come about in two ways. First, Workers' Compensation benefits are lower than SLI benefits. The State, as an employer, would see a net savings (estimated in the budget at \$2 million) by paying injured-on-the-job employees through the Workers' Compensation program rather than through the SLI program. Second, if SLI is eliminated or changed, employees would probably use more accumulated sick leave days, perhaps reducing the amount of paid overtime in jobs, such as corrections, that require certain levels of staffing.

Since SLI is a statutory benefit, legislation is required to abolish or change the program. To date, no such legislation has been introduced. Moreover, since SLI benefits are included in the State's collective bargaining agreements, any such law would most likely become effective at the expiration of current employee contracts. Current contracts for most State employee groups expire on June 30, 1999.

Background Paper: Civil Service Reform Issues

In her 1998 State of the State speech, Governor Whitman focused on civil service reform as one of her priorities. The Governor announced that she would be ordering two regulatory changes:

First, we will restructure our compensation system to be more in line with modern management practices. Pay raises and advancements should and will be based on merit over seniority, just as in the private sector. Second, we will eliminate a practice peculiar to state government - a practice known as "bumping." Currently, every time we try to replace a mid-level manager, we have to shift as many as ten other people, some of whom lose their jobs, even though they're doing a good job right where they are. Only in government ... but no longer in New Jersey.

Performance-Based Pay Raises

The "Civil Service Act," P.L.1986, c.112 (N.J.S.A. 11A:1-1 et seq.), gives the Commissioner of Personnel broad powers in the area of employee compensation. N.J.S.A. 11A:3-7 directs the commissioner to establish, administer and amend a State employee compensation plan, which shall include pay schedules, the assignment and reassignment of salaries for all State titles, and standards and procedures for salary adjustments. The current State Compensation Plan establishes salary ranges for every State title or position. Each salary range contains nine steps, also referred to as increments or merit increases. An increment is 5% of the first step of a salary range but averages about 4.1% of pay over a full range for those employees eligible to receive increments. Approximately one-third of the State workforce have reached the ninth, and final, step of their salary range and are ineligible to receive further increments. The system is designed to reward employees for satisfactory and/or superior performance over time. However, critics charge that the State Compensation Plan rewards employees for their longevity of service and that approximately 65 percent of employees receive increments, in addition to any cost of living increases which have been negotiated. The FY 1999 recommended budget for the Inter-Departmental Accounts (p.D-339) includes \$88.6 million for Salary Increases and Other Benefits.

To date, there has been no announcement from the Department of Personnel as to how it will restructure the State Compensation Plan or how it plans to implement a new performance-based pay program for rank and file (aligned) employees. Moreover, since salary ranges and increments are provided in the State's collective bargaining agreements, there is a question as to whether changes in the State Compensation Plan can be unilaterally made during a contract period without the consent of employee unions. Such changes may have to wait for the start of a new contract period. The department has indicated that a pay-for-performance compensation program was developed and scheduled for implementation during FY 1998 for 3,500 managers and 2,000 non-aligned employees. According to the department, the management salary program had two main objectives: 1) to fix salary compression throughout State government; and 2) give managers a salary increase based on performance.

According to the United States General Accounting Office (GAO), 23 states use some type of performance-based pay system for at least part of their workforce. The rewards include adjustments to base pay, one-time bonus payments, or some combination of the two. The GAO found that there is no general consensus as to how best to structure a performance-based pay system. Among the states utilizing performance-based pay there was no clear consensus on the number of performance levels that should be used to assess employee performance. In addition, rewards were frequently perceived by employees as being too small to act as a motivator.

Background Paper: Civil Service Reform Issues

Civil Service Bumping

Civil service bumping deals with the order of layoffs. The Civil Service Act provides the Merit System Board, located in the Department of Personnel, with a broad grant of authority concerning the layoff process and states that the board shall "adopt rules regarding the order of layoff and employee rights upon recommendation by the commissioner." (N.J.S.A. 11A:8-1) Other than delegating power to the board and the commissioner, the law is silent on the order of layoffs. Existing regulations govern layoff procedures for both State and local government civil service employees. Although legislation is not needed to revise layoff procedures, most employee contracts include layoff provisions which permit permanent employees to exercise bumping rights. Current contracts for most State employee groups expire on June 30, 1999.

An appointing authority may institute layoff actions for reasons of economy, efficiency or other related reasons. The commissioner must determine seniority and designate lateral, demotional and special reemployment rights for all career service titles prior to the effective date of a layoff and must provide such information to the affected parties. In State service, the layoff unit is each department and includes all programs administered by that department. The commissioner also determines job locations within each department. The regulations provide employees with specific bumping rights. A lateral title right means the right of a permanent employee to exercise displacement rights against an employee in the layoff unit holding a title determined to be the same or comparable to the affected title of the employee. A demotional title right means the right of a permanent employee to exercise displacement rights against an employee in the layoff unit holding a title determined to be lower than, but related to, the affected title of the employee. A special reemployment right means the right of a permanent employee, based on his or her permanent title at the time of the layoff action, to be certified for reappointment after the layoff action to the same, a lateral or a lower title. Special reemployment lists take priority over all other reemployment lists or open competitive examination lists, and do not have an expiration date.

In State service, a permanent employee in a position affected by a layoff action must be provided applicable lateral and demotional title rights first, at the employee's option within the municipality in which the facility or office is located and, second, to the job locations selected by the employee within the department. The employee must select individual job locations in preferential order from the list of all job locations and indicate those job locations at which he or she will accept lateral title rights and job locations at which he or she will accept demotional title rights.

Under existing regulations, seniority is calculated as the amount of continuous permanent service in the jurisdiction, regardless of the title. Seniority is based on total calendar years, months and days in continuous permanent service. If two or more employees have equal seniority, preference will be given to a disabled veteran over a veteran and to a veteran over a non-veteran. If two employees are still "tied" after these considerations, preference will be based on other criteria, such as which employee has the higher performance rating.

As in the case of establishing a performance-based salary system, legislation is not needed to change the order of layoffs or to eliminate civil service bumping. To date no new regulations have been promulgated to eliminate bumping when layoffs are instituted and it may be difficult to impose changes unilaterally during a contract period without the consent of employee unions.

The Governor also mentioned in her speech two other civil service reform initiatives which would require legislation:

Background Paper: Civil Service Reform Issues

We also need to put an end to taxpayer-funded "golden parachutes." We've all heard of retirees walking away with checks for hundreds of thousands of dollars in unused sick leave. Let's limit the amount of accumulated sick leave that can be paid out to retirees by local governments. We just can't afford it anymore. And then we should provide local government with greater flexibility in hiring. For example, some states appoint all new state hires to non-civil service, non-unionized positions. This may go too far for our state. But I am prepared to sign legislation that would at least allow municipalities to opt out of civil service altogether. Let's put local officials back in charge of their local work force.

Compensation For Accumulated Sick Leave Upon Retirement

The Civil Service Act provides State employees with compensation upon retirement for unused accumulated sick leave (N.J.S.A. 11A:6-16). However, this compensation is strictly limited and is computed at the rate of one-half of the eligible State employee's daily rate of pay for each day of accumulated sick leave based upon the compensation received during the last year of employment prior to retirement and is capped at \$15,000 (N.J.S.A. 11A:6-19). The law, however, does not place any computation methodology or cap for unused sick leave compensation upon retirement on local government and school board employees. News reports have indicated that there have been numerous instances on the local and school district level in which compensation upon retirement for unused accumulated sick leave by local government and school board employees has far exceeded the \$15,000 cap for State employees.

Senate Bill No. 50 of 1998 would limit this compensation upon retirement for local government and school board employees to a maximum of \$15,000. The bill establishes the same computation methodology and cap for local government and school board employees as exists for State employees.

Opting Out of Civil Service

While the Civil Service Act allows a county or municipality to join the system by election (N.J.S.A. 11A:9-2 and 11A:9-3), there is no provision in the law for a county or municipality in the civil service system to withdraw from the system. It should be noted that not all of New Jersey's counties and municipalities are in the civil service system; however it does cover 20 of the State's 21 counties and over 300 municipalities.

Legislation has been introduced to provide for county and municipal withdrawal from the system. Assembly Bill No. 851 of 1998 provides for withdrawal from the civil service system as the result of an election in which the voters of a county or municipality decide to rescind the adoption of Title 11A (Civil Service). Assembly Bill No. 1576 of 1998 permits counties and municipalities to withdraw from the civil service system by election or by having the governing body pass an ordinance to rescind the adoption of Title 11A. As of March 20, 1998, these bills were still pending in the Assembly State Government Committee.

Background Paper: State Employee Payroll Count

Table I below and the chart on the following page provide the State employee count from 1992 through 1998 as of January of each year. These numbers represent the actual number of checks issued to full-time State employees from all sources (i.e., State, federal or other funds). These figures do not include vacant positions, part-time positions, or higher education employees, such as employees of Rutgers University, the University of Medicine and Dentistry (UMDNJ), and the New Jersey Institute of Technology (NJIT) and the State colleges.

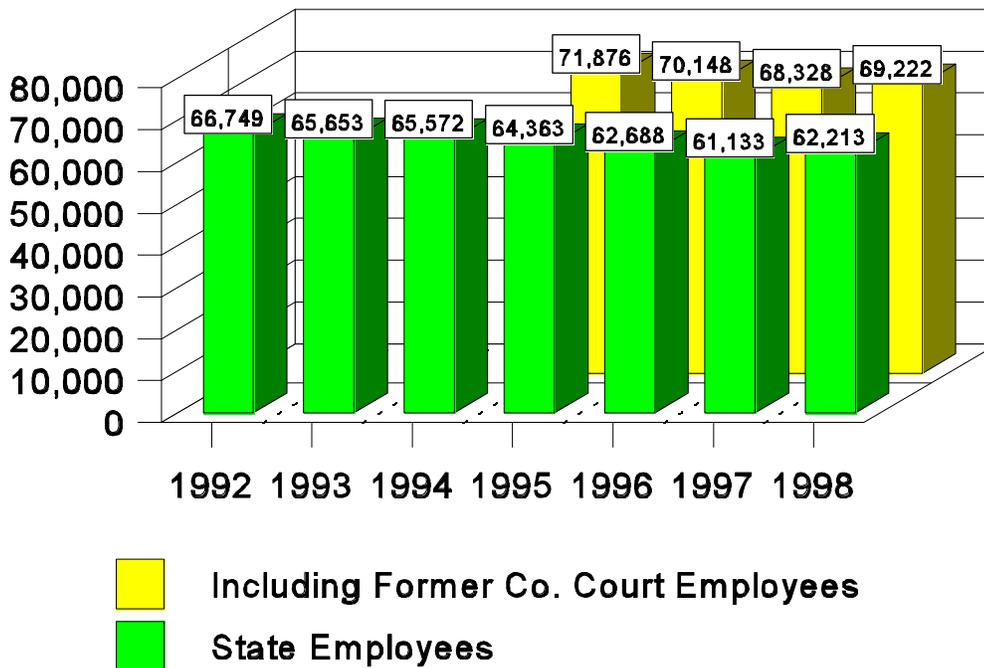
The total number of State employees declined from 66,749 in January 1992 to 65,572 in January 1994, or by 2 percent. In January 1995, 7,513 former County Court employees were added to the State payroll system as a result of P.L. 1994, c.162, "The Judicial Employees Unification Act".

More recently, the number of State employees (not including the former County Court employees) has increased from 61,133 in Jan. 1997 to 62,213 in Jan. 1998, an increase of 1,080. Of this amount, 956 are Department of Correction employees at various correctional facilities.

Table I illustrates in graphic form the year to year change in the number of full-time State employees based on the number of actual checks issued.

TABLE I

Full-Time State Employees (January each year)



Background Paper: State Employee Payroll Count

FULL-TIME STATE EMPLOYEE COUNT - ALL FUNDING SOURCES*

As of January 1998 (pay period 1)

Source: Office of Management and Budget, payroll reports

Department/Agency	Total	State		Federal funds	Non-State
		General Fund	Dedicated Funds		
Agriculture	239	141	0	45	53
Banking & Insurance	561	101	456	0	4
Chief Executive's Office	114	114	0	0	0
Commerce	108	94	0	0	14
-PBA	135	105	0	0	30
-Science & Technology	6	6	0	0	0
Community Affairs	922	156	379	255	132
Corrections	9,084	8,661	0	28	395
-Parole Board	158	158	0	0	0
Education	830	382	33	241	174
Environmental Protection	3,058	1,852	966	147	93
Health	1,436	451	26	625	334
-Senior Services	354	200	0	136	18
Human Services	17,914	12,559	0	4,819	536
-Management and Budget	424	278	0	127	19
-Medical Assistance	489	145	0	344	0
-Economic Assistance	389	237	0	152	0
-Commission for the Blind	266	176	0	90	0
-DYFS	2,941	2,311	0	603	27
-Div of the Deaf	5	5	0	0	0
-Developmental Disabilities	8,801	4,844	0	3,502	455
-Mental Health Services	4,599	4,563	0	1	35
Labor	3,743	213	460	3,063	7
-PERC	39	39	0	0	0
Law and Public Safety	6,105	4,075	729	105	1,196
-ELEC	39	39	0	0	0
-VCCB	50	50	0	0	0
-ECES	7	7	0	0	0
-Juvenile Justice	1,319	947	0	25	347
Military and Veterans' Affairs	1,357	1,205	0	152	0
Personnel	431	428	0	0	3
State	235	163	14	3	55
-OAL	117	106	0	0	11
-Public Defender	837	835	0	0	2
-Comm on Higher Education	20	20	0	0	0
Transportation	3,958	2,839	0	1,119	0
-DMV	1,670	1,536	126	8	0
Treasury - (Balance of)	3,260	2,809	0	0	451
-Casino Control	336	0	0	0	336
-OTIS	1,109	0	0	0	1,109
-Student Assistance	192	27	0	155	10
-BPU	307	0	289	18	0
-Misc. Exec. Commissions	1	1	0	0	0
Sub-Total	60,051	40,319	3,478	10,944	5,310
Legislature	464	464	0	0	0
Judiciary	1,698	1,463	0	75	160
Statewide Total	62,213	42,246	3,478	11,019	5,470
County Court	7,009	5,913	0	1,087	9
Grand Total	69,222	48,159	3,478	12,106	5,479

Excludes special services and summer seasonal for all agencies except Human Services, which includes full-time special services.

* Number of Employees That Received Pay Checks

Excludes college and university employees.

OFFICE OF LEGISLATIVE SERVICES

The Office of Legislative Services provides nonpartisan assistance to the State Legislature in the areas of legal, fiscal, research, bill drafting, committee staffing and administrative services. It operates under the jurisdiction of the Legislative Services Commission, a bipartisan body consisting of eight members of each House. The Executive Director supervises and directs the Office of Legislative Services.

The Legislative Budget and Finance Officer is the chief fiscal officer for the Legislature. The Legislative Budget and Finance Officer collects and presents fiscal information for the Legislature; serves as Secretary to the Joint Budget Oversight Committee; attends upon the Appropriations Committees during review of the Governor's Budget recommendations; reports on such matters as the committees or Legislature may direct; administers the fiscal note process and has statutory responsibilities for the review of appropriations transfers and other State fiscal transactions.

The Office of Legislative Services Central Staff provides a variety of legal, fiscal, research and administrative services to individual legislators, legislative officers, legislative committees and commissions, and partisan staff. The central staff is organized under the Central Staff Management Unit into ten subject area sections. Each section, under a section chief, includes legal, fiscal, and research staff for the standing reference committees of the Legislature and, upon request, to special commissions created by the Legislature. The central staff assists the Legislative Budget and Finance Officer in providing services to the Appropriations Committees during the budget review process.

Individuals wishing information and committee schedules on the FY 1999 budget are encouraged to contact:

Legislative Budget and Finance Office
State House Annex
Room 140 PO Box 068
Trenton, NJ 08625

(609) 292-8030

Fax (609) 777-2442