

Assembly Budget Committee – Treasury Department

The Assembly Budget Committee met on Tuesday, April 15, to review the Governor's proposed Fiscal Year 2009 budget for the Treasury Department. State Treasurer David Rousseau testified in the morning and addressed the committee and provided an update about the proposed allocation of funds for the Treasury Department in the Governors FY 09 state budget.

Concerns over the pension system and the early retirement initiative (ERI) were raised by the Assembly Committee members along with various other issues such as procedures for the states necessity to bid contracts with outside entities.

Recently, the state of NJ decided to not renew the contract with CMS, a corrections health care company, and to award the contract to the UMDNJ sighting millions of dollars in savings. Chairman Greenwald pressed the Treasurer for additional answers regarding how the decision was made to award the contract to UMDNJ and the problems that occur if the state does not send a contract out for bid. Rousseau commented to the committee that the Treasury Department did an assessment for what is in the best interest in the state and the cost of the service in millions of dollars less than the CMS quoted and several of the employees with CMS are moving to UMDNJ as they are familiar with the work and will be able to provide the state the best service.

The pension problems in the state and the early retirement initiative were hot topics in the hearing and amongst the committee members. Currently, the ERI is expected to include 3,500 public employees. There are expected to be 7,300 eligible employees for the proposed ERI and in the past only about half of the eligible employees took advantage of the program. The categories for classifying the employees will be modified from previous classifications and specifically the Department of Human Services, Military and Veterans Affairs and the Juvenile Justice Commission (JJC) employees are excluded from the ERI program at this time. Since the employee in their Departments fulfill a direct care need if the employees were to leave it would be necessary for the state to fill their positions.

In addition, all state employees currently enrolled in PFRS including state police and correction officers will not be eligible for the ERI. A detailed plan about the eligibility for the ERI is expected to be available shortly from the Treasurers Office.

Changes to the pension system are another way to potentially reduce the cost to the state. Rousseau again went into detail, as he did at the Senate Budget and Appropriations Committee yesterday, about the deal the unions agreed to during the special session held in 2006. Instead of increasing the retirement age to 60 the unions agreed to have an across the board increase in the contributions with each employee paying an additional half percent. A bill is expected by the legislature to deal with part-time state employees receiving pensions.

Assembly Budget Committee – Corrections and the State Parole Board

The Assembly Budget Committee on Tuesday, April 15 2008, to review the Governor's proposed Fiscal Year 2009 budget for the state Department of Corrections, and the State Parole Board.

Corrections Commissioner George Hayman and State Parole Board Chairman Peter Barnes Sr. gave presentations to the committee this afternoon.

Commissioner Hayman and Chairman Barnes addressed the committee and reviewed their operations and programs that are allocated money in the state budget. Specifically, the programs mentioned and discussed in detail include the Residential Assessment Centers (RCAs), Halfway Back Expansion and Sex Offender Internet Monitoring.

The State Parole Boards FY 09 proposal includes reductions in positions in the form of programmatic layoffs, elimination of funded vacancies and attrition. The proposal also includes efficiencies identified in various non-salary and special purpose accounts.

Many of the questions at the hearing focused on Sex Offender monitoring and housing. Currently the state of New Jersey is reviewing various locations for the offenders to be housed and is examining neighboring states as viable options. Monitoring the offenders is relatively new function of the Department and with the large number of offenders in NJ, 4,600, and at any one time there are twelve officers and twelve vehicles used to monitor the sexual predators.

Other concerns raised by the committee members included protections for women prisoners and the financial matters of the Department and Board after the audit.

The State Parole Board's internal audit of contracted programs resulted in the recovery of \$40,000 in invoice reconciliations from contract providers during FY08.

Assembly Republican News

O'SCANLON: EARLY RETIREMENT PLAN IS NOT GOING TO BE A COST-SAVER FOR STATE

Plan will result in some employees receiving full pensions for longer than they worked

At today's meeting of the Assembly Budget Committee, Assemblyman Declan O'Scanlon questioned Treasurer David Rousseau about Governor Corzine's proposed early retirement program for state workers and suggested that the idea will not succeed in reducing costs for the state.

"Any short-term savings under this program will ultimately be outweighed by the added costs to our pension system," said O'Scanlon, R-Monmouth. "I think it is important to understand that under this program a state worker will be able to retire with a full pension at age 52. This means that person may receive that benefit for 30 or more years -- possibly longer than they were in the workforce."

As part of his effort to cut this year's budget, Governor Corzine has proposed an early retirement incentive plan for state workers. The last time the state offered an early retirement incentive was in 2002 when about 4,000 workers took advantage of a plan offered under Governor McGreevey. It has been estimated that while the state saved \$314 million in the four years since then, its taxpayer-funded pension liability has increased by \$645.4 million.

O'Scanlon said that the state needs to look at more significant, long-term reforms such as increasing the retirement age from 60, shifting to a defined contributions retirement plan for state workers, and changing from the current retirement benefit formula of "(n) over 55" back to the pre-2001 retirement formula.

"In the past these early retirement programs have been a net-loss to the state, and we need to look at real changes that will actually reduce costs," O'Scanlon said. "The current early retirement proposal will only add to problems with the state's already overburdened pension system."