

SENATE, No. 423

STATE OF NEW JERSEY
219th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2020 SESSION

Sponsored by:

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Senator T.Kean

SYNOPSIS

“Zero-Based Budget Act;” requires State Treasurer to develop and integrate certain zero-based budgeting practices and procedures in preparation and submission of Governor’s annual budget message.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel.



1 **AN ACT** requiring the State Treasurer to develop and integrate
2 certain zero-based budgeting practices and procedures in the
3 preparation and submission of the Governor’s annual budget
4 message, supplementing chapter 18A of Title 52 of the Revised
5 Statutes and amending P.L.1944, c.112.

6

7 **BE IT ENACTED** *by the Senate and General Assembly of the State*
8 *of New Jersey:*

9

10 1. (New section) This act shall be known and may be cited as
11 the “Zero-Based Budget Act.”

12

13 2. (New section) The Legislature finds that there is public need
14 to reform the State budget process. Economic uncertainty
15 combined with declines in the amount of resources available to
16 deliver critical goods and services has compelled the State to
17 reassess what is essential and to reevaluate the way in which public
18 tax dollars are proposed and allocated for State spending.

19 Under the current budget process a reassessment and
20 reevaluation of this size and scope is impractical if not impossible.
21 Requests for appropriations and permissions to spend are evaluated
22 based on spending requests above and beyond amounts allocated
23 during the previous fiscal year. The base of past spending is not
24 fully vetted, and the efficiency and effectiveness of current
25 programs and activities is not scrutinized with the detail adequate to
26 prioritize the needs of one department or agency over the needs of
27 another.

28 The development and integration of zero-based budgeting within
29 the existing budgetary framework would provide the Executive, the
30 Legislature, and ultimately the people of the State of New Jersey
31 with the capacity to evaluate, scrutinize, and prioritize annual State
32 appropriations. Moreover, it would allow the State to construct an
33 annual budget from the ground up, justifying the need for and use of
34 each tax dollar allocated for appropriation. The Legislature,
35 declares, therefore, that it is in the public interest to require the
36 State Treasurer to design and develop a State budget process that
37 utilizes the practices of zero-based budgeting, and to ensure that
38 these procedures are integrated in the preparation and submission of
39 the Governor’s annual budget message.

40

41 3. (New section) For purposes of this act, the following terms
42 shall have the following meanings:

43 “Director of the Division of Budget and Accounting” or
44 “director” means the Director of the Division of Budget and
45 Accounting in the Department of the Treasury.

EXPLANATION – Matter enclosed in bold-faced brackets **[thus]** in the above bill is
not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

1 “Spending agency” means those entities deemed a “spending
2 agency” as that term is used in subsection a. of section 5 of article 3
3 of P.L.1944, c.112 (C.52:27B-14).

4 “State agency” means any of the principal departments in the
5 Executive Branch of State Government, and any division, board,
6 bureau, office, commission, or other instrumentality within or
7 created by such principal department; the Legislature of the State
8 and any office, board, bureau, or commission within or created by
9 the Legislative Branch of State Government; the Judiciary of the
10 State and any office, board, bureau, or commission within or
11 created by the Judicial Branch of State Government; and any
12 independent State authority, commission, instrumentality, or
13 agency.

14 “Zero-based budget” means an approach to developing and
15 evaluating requests for appropriations or permissions to spend
16 based on the cost-effective achievement of the tasks, goals, and
17 objectives of a particular spending agency without regard to prior
18 appropriations or spending permissions, adjusted for inflation or
19 otherwise.

20 “Zero-based budget process” means a process of budgeting in
21 which a spending agency’s request for appropriation or permission
22 to spend is evaluated and justified, in whole or in part, based upon
23 the cost-effective achievement of the tasks, goals, and objectives of
24 a particular spending agency without regard to prior appropriations
25 or spending permissions, adjusted for inflation or otherwise.

26
27 4. (New section) a. The State Treasurer, in consultation with
28 the Director of the Division of Budget and Accounting, shall, on or
29 before July 1, 2011, design and develop, or cause to be designed
30 and developed, a State budget process for State fiscal years
31 commencing on and after July 1, 2012, which requires each
32 spending agency required to file a request for appropriation or
33 permission to spend, in accordance with section 5 of article 3 of
34 P.L.1944, c.112 (C.52:27B-14), to justify their request, in whole or
35 in part, utilizing the practices and procedures of a zero-based
36 budget.

37 b. At a minimum, the zero-based budget process developed in
38 accordance with subsection a. of this section shall require spending
39 agencies to justify their request, in whole or in part, by submitting:

40 (1) a statement outlining the goals and objectives intended to be
41 accomplished as a result of the spending agency’s request;

42 (2) a statement delineating each of the various activities,
43 programs, and services to be performed as a result of the request;

44 (3) a compilation enumerating the statutory and regulatory
45 provisions which comprise the spending agency’s legal authority, if
46 any, to perform each activity, program, or service;

47 (4) a description of the methodology and approach used to carry
48 out each activity, program, or service;

1 (5) an itemized estimate of spending required to maintain each
2 activity, program, or service at its current level of performance,
3 together with an evaluation of the quality and quantity of services
4 provided;

5 (6) a projected estimate of spending required to maintain each
6 activity, program, or service at the minimum level of service
7 required by statutory or regulatory authority, together with an
8 evaluation of the quality and quantity of services required at that
9 level;

10 (7) a statement identifying each group, stakeholder, or
11 community affected or intended to be affected by each activity,
12 program, or service, and a quantitative estimate of any potential
13 consequences that may result if the spending agency's activities,
14 programs, and services are eliminated;

15 (8) a statement detailing any other State, federal, or local units
16 of government which administer a similar activity, program, or
17 service and an outline describing the interaction, if any, among such
18 departments and agencies;

19 (9) a statement prioritizing by numerical ranking, the activities,
20 programs, or services carried-out by a spending agency with respect
21 to each activity's, program's, or service's capacity to fulfill the
22 spending agency's stated goals and objectives during the current
23 and ensuing fiscal years; and

24 (10) any additional data or information deemed necessary or
25 appropriate by the State Treasurer or the Director of the Division of
26 Budget and Accounting to justify a spending agency's request for
27 appropriation or permission to spend.

28

29 5. (New section) a. The State Treasurer, in consultation with
30 the Director of the Division of Budget and Accounting, shall, on or
31 after July 1, 2011 but before July 1, 2012, implement the zero-based
32 budget process designed and developed in accordance with section
33 4 of P.L. , c. (C.) (pending before the Legislature as this
34 bill), and shall, for State fiscal years commencing on or after July 1,
35 2012, require each spending agency required to file a request for
36 appropriation or permission to spend in accordance with section 5
37 of article 3 of P.L.1944, c.112 (C.52:27B-14), to file their request
38 utilizing the practices and procedures of the zero-based budget
39 designed and developed in accordance with section 4 of
40 P.L. , c. (C.) (pending before the Legislature as this bill).

41 b. The State Treasurer shall take such anticipatory steps as may
42 be appropriate to integrate the zero-based budget process within the
43 existing budgetary framework, and shall adopt, pursuant to the
44 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et
45 seq.), rules and regulations necessary to effectuate the purposes of
46 this act.

47 c. Spending agencies are directed to cooperate with the State
48 Treasurer and the Director of the Division of Budget and

1 Accounting in compiling data and information necessary to
2 implement and integrate the zero-based budget process designed
3 and developed in accordance with section 4 of P.L. , c. (C.)
4 (pending before the Legislature as this bill).

5 d. The State Treasurer and the Director of the Division of
6 Budget and Accounting shall be entitled to call to their assistance,
7 and avail themselves of the services of, the employees of any State
8 agency as may be required and as may be available to design and
9 develop, implement and integrate the zero-based budget process in
10 accordance with this act.

11

12 6. (New section) The State Treasurer shall, on or before
13 December 1, 2012 and on or before that date each year thereafter,
14 prepare and transmit to the Governor and, pursuant to section 2 of
15 P.L.1991, c.164 (C.52:14-19.1), to the Legislature, a report:
16 outlining the steps undertaken to comply with section 4 of
17 P.L. , c. (C.) (pending before the Legislature as this bill);
18 describing any shortcomings associated with the implementation or
19 integration of the zero-based budget process as required pursuant to
20 section 5 of P.L. , c. (C.) (pending before the Legislature as
21 this bill); and recommending additional steps or modifications to
22 improve or expand upon the zero-based budget process.

23

24 7. Section 1 of Article 1 of P.L.1944, c.112 (C.52:27B-1) is
25 amended to read as follows:

26 1. As used in this act, unless the context clearly indicates
27 otherwise:

28 "Department" means the **【State】** Department of **【Taxation and**
29 **Finance herein established】** the Treasury.

30 "Commissioner" means the **【commissioner and head of the】**
31 **State 【Department of Taxation and Finance】** Treasurer.

32 "Director" means the director of an indicated division**【, herein**
33 **established,】** in the **【State】** Department of **【Taxation and Finance】**
34 the Treasury.

35 "Request Officer" means the principal officer of a department or
36 board in the Executive Branch of the State Government.

37 "Zero-based budget process" means a process of budgeting in
38 which a spending agency's request for appropriation or permission
39 to spend is evaluated and justified, in whole or in part, based upon
40 the cost-effective achievement of the tasks, goals, and objectives of
41 a particular spending agency without regard to prior appropriations
42 or spending permissions, adjusted for inflation or otherwise.

43 (cf: P.L.1944, c.112, art.1, s.1)

44

45 8. Section 5 of Article 3 of P.L.1944, c.112 (C.52:27B-14) is
46 amended to read as follows:

1 5. a. For State fiscal years commencing on or before July 1,
2 2011, [On] on or before October first in each year each department
3 of the State Government, board, commission, officer or other State
4 agency, hereinafter in this article called "spending agency," shall
5 file with the [commissioner] State Treasurer a request for
6 appropriation or permission to spend[, as the case may be], which
7 shall specify all expenditures proposed to be made by such spending
8 agency during the next ensuing fiscal year.

9 b. For the State fiscal year commencing on July 1, 2012 and for
10 each State fiscal year commencing thereafter, on or before October
11 first in each year each spending agency shall file with the State
12 Treasurer a request for appropriation or permission to spend, which
13 shall specify all expenditures proposed to be made by a spending
14 agency during the next ensuing fiscal year utilizing the zero-based
15 budget process developed in accordance with section 4 of
16 P.L. c. (C.) (pending before the Legislature as this bill).
17 (cf: P.L.1944, c.112, art.3, s.5)

18
19 9. Section 6 of Article 3 of P.L.1944, c.112 (C.52:27B-15) is
20 amended to read as follows:

21 6. A request provided in subsection a. or b. of section [five] 5
22 of article 3 of P.L.1944, c.112 (C.52:27B-14) shall be made by the
23 request officer. In the case of the Supreme and Superior Courts, the
24 request officer shall be the administrative director of the courts
25 under the direction of the Chief Justice of the Supreme Court and,
26 in the case of the Legislature, the request officer shall be the
27 [secretary of the Senate and the clerk of the General Assembly,
28 respectively] Executive Director of the Senate Majority Office, the
29 Executive Director of the Assembly Majority Office, and the
30 Executive Director of the Office of Legislative Services.
31 (cf: P.L.1953, c.49, s.51)

32
33 10. Section 7 of Article 3 of P.L.1944, c.112 (C.52:27B-16) is
34 amended to read as follows:

35 7. a. [Said] A request filed pursuant to subsection a. or b. of
36 section 5 of article 3 of P.L.1944, c.112 (C.52:27B-14) shall be
37 made on forms [to be] furnished by the [commissioner] State
38 Treasurer and subject to such rules and regulations as [he] the State
39 Treasurer shall prescribe [from time to time] and shall show in
40 detail:

41 [a.] (1) A statement exhibiting for the next ensuing fiscal year
42 all estimated revenues; the estimate of revenues for the current
43 fiscal year and the actual revenues for the past completed fiscal
44 year;

45 [b.] (2) A statement identifying and providing justification for
46 each of [The] the several purposes and itemized amounts for which
47 appropriations or permissions to spend are requested, without

1 deductions for estimated revenues allocated to such spending
2 agency; provided however, that a request filed pursuant to
3 subsection b. of section 5 of article 3 of P.L.1944, c.112 shall
4 provide justification for a spending agency's request for
5 appropriation or permission to spend utilizing data and information
6 collected and submitted as required by the State Treasurer to
7 comply with the zero-based budget process developed in
8 accordance with section 4 of P.L. c. (C.)(pending before the
9 Legislature as this bill);

10 **【c.】 (3)** A statement exhibiting for the last preceding fiscal year
11 the amounts of the annual and supplemental appropriations,
12 transfers of appropriations, allotments from the emergency fund,
13 dedicated receipts, if any, and of all expenditures made thereunder
14 and the unexpended balance, if any, and the extent to which the
15 same is obligated or encumbered; and

16 **【d.】 (4)** A statement indicating how much of the requested
17 appropriation will be spent in each quarter of the fiscal year.

18 b. In case an appropriation is requested, pursuant to subsection
19 a. or b. of section 5 of article 3 of P.L.1944, c.112, for a project
20 which cannot be completed within the next ensuing fiscal year, the
21 request shall set forth in detail a complete description of the whole
22 project and the estimated and detailed cost thereof, and shall show
23 separately the part of the project which has been completed, if any,
24 and the actual cost thereof; the part remaining to be completed and
25 the estimated cost thereof, and the part proposed to be completed
26 within the ensuing fiscal year and the estimated cost thereof.

27 (cf: P.L.1944, c.112, art.3, s.7)

28

29 11. Section 11 of Article 3 of P.L.1944, c.112 (c.52:27B-20) is
30 amended to read as follows:

31 11. The Governor shall examine and consider all requests for
32 appropriations, together with the findings and recommendations of
33 the Director of the Division of Budget and Accounting in the
34 Department of the Treasury, and shall formulate the Governor's
35 budget recommendations, which shall be presented as a budget
36 message by the Governor during an appearance before a joint
37 session of the Legislature which shall be convened at 12 noon on a
38 date on or before the fourth Tuesday in February in each year.

39 The budget message shall include the proposed complete
40 financial program of the State Government for the next ensuing
41 fiscal year, and shall set forth in columnar, graphic, or narrative
42 form, as the case may be, detailed as to each source of anticipated
43 revenue and the several purposes and itemized amounts to which
44 the recommended appropriations and permissions to spend shall
45 apply for each spending agency in substantially the following form:

46 A. Revenues for the General Fund, other budgeted State
47 revenues, all other dedicated funds, Federal aid funds, and trust
48 funds:

1 (1) An estimate of all balances to be on hand on the first of July
2 next ensuing which are to be available for appropriations, supported
3 by the calculations used in arriving at the estimated figures; and

4 (2) An estimate of the anticipated revenues from all sources
5 applicable to the budget period, together with the actual amount
6 earned from each source during the last completed fiscal year, and
7 the estimate of revenues expected to be earned from each source for
8 the current fiscal year.

9 B. (Deleted by amendment, P.L.2003, c.275).

10 C. Appropriations. The total of the appropriations
11 recommended for the ensuing fiscal year in substantially the
12 following form:

13 Detailed Budget:

14 (1) An itemized statement of all appropriation requests and
15 requests for permission to spend from the General State Fund, other
16 budgeted State revenues, other dedicated funds and Federal aid and
17 trust funds;

18 (2) An itemized statement of the amounts recommended by the
19 Governor with respect to item "1" above;

20 (3) An itemized statement of all amounts appropriated and
21 permissions granted for the current fiscal year with respect to item
22 "1" above;

23 (4) An itemized statement of all amounts appropriated and
24 permissions granted for the last preceding fiscal year with respect to
25 item "1" above detailed as to annual and supplemental
26 appropriations, transfers of appropriations, State Emergency Fund
27 allotments, and permission to spend, as the case may be, and
28 showing also total expenditures, reserves, lapses and unencumbered
29 balances;

30 (5) For State fiscal years commencing on July 1, 2012 and for
31 each State fiscal year commencing thereafter, a statement exhibiting
32 all data and information, submitted in accordance with paragraph
33 (2) of subsection a. of section 7 of article 3 of
34 P.L.1944, c.112 (C.52:27B-16), used to justify each spending
35 agency's request for appropriation or permission to spend in
36 accordance with the zero-based budget process developed pursuant
37 to section 4 of P.L. c. (C.)(pending before the Legislature as
38 this bill); and

39 **【(5)】** (6) In addition, such other statistical information as may
40 **【more fully】** be appropriate to show comparisons and costs of the
41 several departments.

42 (cf: P.L.2003, c.275, s.1)

43
44 12. Section 13 of Article 3 of P.L.1944, c.112 (C.52:27B-22) is
45 amended to read as follows:

46 13. All applications for supplemental appropriations not
47 included in the budget message shall be **【made】** filed, in the first
48 instance, **【to】** with the **【commissioner】** State Treasurer in

1 **【substantially】** the same form as is required, pursuant to subsection
2 a. or b. of section 5 of article 3 of P.L.1944, c.112, for regular
3 requests, setting forth how much of the amount requested will be
4 expended in each quarter of the fiscal year. The **【commissioner】**
5 State Treasurer shall certify and transmit forthwith such application
6 to the Governor, together with his findings, comments and
7 recommendations thereon. The Governor shall transmit to the
8 **【chairman of the joint appropriations committee】** chairperson of
9 the Joint Budget Oversight Committee or its successor such
10 applications as he shall approve in whole or in part with his
11 recommendations thereon, but the Governor shall not approve and
12 recommend any appropriation in excess of the total anticipated
13 funds available for disbursement during the fiscal year to which
14 such recommendations are applicable.

15 (cf: P.L.1944, c.112, art.3, s.13)

16
17 13. Section 21 of Article 3 of P.L.1944, c.112 (C.52:27B-30) is
18 amended to read as follows:

19 21. **【In order effectually to discharge and execute his duties in**
20 **relation to the quarterly allotment system, the commissioner】** The
21 State Treasurer, or a member of the department designated by
22 **【him】** the State Treasurer, shall make continuous studies of all
23 departmental requirements including personnel and shall, for State
24 fiscal years commencing on July 1, 2012 and for each State fiscal
25 year commencing thereafter, make continuous studies of the zero-
26 based budget process developed in accordance with section 4 of
27 P.L. c. (C.)(pending before the Legislature as this bill). All
28 requests for additional personnel made by request officers to the
29 civil service agency in the State Government shall first be approved
30 by the **【commissioner】** State Treasurer.

31 (cf: P.L.1944, c.112, art.3, s.21)

32
33 14. This act shall take effect immediately.

34 35 36 STATEMENT

37
38 The “Zero-Based Budget Act” requires the State Treasurer to
39 develop and integrate certain zero-based budgeting practices and
40 procedures in the preparation and submission of the Governor’s
41 annual budget message.

42 Under the provisions of the bill, the State Treasurer, in
43 consultation with the Director of the Division of Budget and
44 Accounting, is required to design and develop a zero-based budget
45 process on or before July 1, 2011 for State fiscal years commencing
46 on and after July 1, 2012. While the bill grants the Treasurer
47 considerable latitude in creating a budget process tailored to meet

1 the individual needs of various departments and divisions, bureaus
2 and agencies within each branch of State government, the budget
3 process developed in accordance with this bill requires State
4 spending agencies to justify their request for appropriation or
5 permission to spend, in whole or in part, utilizing the practices and
6 procedures of a zero-based budget.

7 As defined by the bill, a zero based-budget process is a process
8 of budgeting in which a spending agency's request for appropriation
9 or permission to spend is evaluated and justified, in whole or in
10 part, based upon the cost-effective achievement of the tasks, goals,
11 and objectives of a particular spending agency without regard to
12 prior appropriations or spending permissions, adjusted for inflation
13 or otherwise.

14 To facilitate the evaluation and justification of each spending
15 request, the bill stipulates that, at a minimum, State spending
16 agencies must submit to the State Treasurer and the Director of the
17 Division of Budget and Accounting: (1) a statement outlining the
18 goals and objectives intended to be accomplished as a result of the
19 spending agency's request; (2) a statement delineating each of the
20 various activities, programs, and services to be performed as a
21 result of the request; (3) a compilation of the statutory and
22 regulatory provisions which comprise the spending agency's legal
23 authority, if any, to perform each activity, program, or service; (4) a
24 description of the methodology and approach used to carry out each
25 activity, program, or service; (5) an itemized estimate of spending
26 required to maintain each activity, program, or service at its current
27 level of performance, together with an evaluation of the quality and
28 quantity of services provided; (6) a projected estimate of spending
29 required to maintain each activity, program, or service at the
30 minimum level of service required by statutory or regulatory
31 authority, together with an evaluation of the quality and quantity of
32 services required at that level; (7) a statement identifying each
33 group, stakeholder, or community affected or intended to be
34 affected by each activity, program, or service, and a quantitative
35 estimate of any potential consequences that may result if the
36 spending agency's activities, programs, and services are eliminated;
37 (8) a statement detailing any other State, federal, or local units of
38 government which administer a similar activity, program, or service
39 and an outline describing the interaction, if any, among such
40 departments and agencies; (9) a statement prioritizing by numerical
41 ranking, the activities, programs, or services carried-out by a
42 spending agency with respect to each activity's, program's, or
43 service's capacity to fulfill the spending agency's stated goals and
44 objectives during the current and ensuing fiscal years; and (10) any
45 additional data or information deemed necessary or appropriate by
46 the State Treasurer or the Director of the Division of Budget and
47 Accounting to justify a spending agency's request for appropriation
48 or permission to spend.

1 Under the bill, any zero-based budget data and information
2 submitted as part of a spending agency's request for appropriations
3 or permissions to spend is required to be incorporated into the final
4 request transmitted to the Governor and submitted to the Legislature
5 as part of the Governor annual budget message. As part of the
6 budget message, the zero-based budget data and information would
7 become part of the public document and would be available to assist
8 the Legislature and ultimately the residents of the State of New
9 Jersey in reviewing and scrutinizing the Governor's spending plan
10 for the ensuing fiscal year.