FY 2010 Budget Testimony
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New Jersey Department of Labor and Workforce Development
April 30, 2009

Chairman Greenwald, Vice-Chairman Schaer, distinguished members of the Budget Committee, good afternoon. Thank you for the opportunity to appear before you to discuss the important work performed on behalf of the workers and the employers of New Jersey by the dedicated public servants of the Department of Labor and Workforce Development.

As you know, the majority of our Department’s activities are either federally funded or supported through dedicated trust funds. In tough economic times like these, the programs and services of the Department are needed more than ever by workers and employers.

Last year at this time, economists were still debating whether our nation was entering a recession. Today it is clear to everyone that a global recession began late in 2007 and it has deepened over the past seven months. The serious impact of this economic downturn is being felt by New Jersey’s working families, employers and government.

Today, more than 13 million Americans are out of work and 5.5 million of those are collecting some form of unemployment benefits. More than 375,000 New Jerseyans are collecting either state unemployment insurance benefits or federal extended unemployment benefits, and many need reemployment assistance or training for new careers. While these numbers grab our attention, we are mindful that these statistics represent real people caught in the whirlwind of a global economic downturn. Every day in New Jersey, workers are trying to keep their homes, feed their families and get back into productive jobs.

Acting quickly to respond to this crisis, Governor Corzine made the right decision last fall when he spearheaded New Jersey’s Economic Assistance and Recovery Plan – the first comprehensive state plan in the nation to address the impact of the recession. Already, the Governor’s initiatives have expedited energy infrastructure, school construction, bridge and road building projects that are creating jobs and spurring economic recovery in our state. The Department of Labor and Workforce Development plays crucial roles in both the Governor's state assistance and recovery plan and the federal American Recovery and Reinvestment Act (ARRA), carrying out important responsibilities to assist workers who are most affected by the recession.

Unemployment Insurance Benefits
New Jersey's Unemployment Insurance (UI) program provides vital support to workers, their communities and our economy. In calendar year 2008, the Department delivered more than $2.8 billion in state and federal benefits to nearly 570,000 workers who had lost their jobs. In the first three months of 2009, the demand for unemployment insurance benefits has risen above the average in 2008. Today, we are providing unemployed New Jerseyans with additional benefits through the federally-funded Extended Unemployment Compensation (EUC) program, up to a maximum of 33 weeks of benefits; and through the ARRA the federal government is paying the
full cost of the Extended Benefit (EB) program that offers up to an additional 20 weeks of compensation to claimants who exhaust both regular UI and EUC benefits.

The federal Recovery Act provides other key supports for unemployed workers, including a federally-funded supplementary benefit of $25 each week in additional compensation to all unemployment insurance claimants, as well as exempting each worker's first $2,400 in unemployment benefits from federal income tax (UI benefits are already completely exempt from NJ State income taxes). In addition, under the new COBRA provisions of the ARRA, the federal government will pay 65 percent of the cost of continuation coverage if an involuntarily unemployed worker opts for coverage. This subsidy for health insurance makes it much more affordable for dislocated workers to maintain health coverage for themselves and their families.

We know how important UI benefits are to dislocated workers, their families, their communities and our economy. The rising tide of unemployed workers has greatly challenged our Department, and our local partners and State employees have performed admirably in providing services to the surging volume of unemployed individuals who have visited the One-Stop Career Centers across the state. That is why, at the direction of Governor Corzine, we have used federal funding to hire and train more than 100 intermittent or part-time workers to help process claims in a timely manner to meet the needs of unemployed New Jerseymans. In addition, we have expanded the hours of our Reemployment Call Centers, including opening on Saturday and Sunday mornings, and recruited staff from other parts of the Department to process UI claims by working before or after their regular work shifts. These extra efforts by our staff, entirely funded by the federal government, are essential to keeping up with the high level of UI claims we are receiving.

In addition, the Department has implemented some key UI technology upgrades to improve customer service and make our operations more efficient. Through our investment in the development of the New Jersey State Unemployment Compensation Claimant and Employer Service System (NJ SUCCESS), we have continued to modernize the business methods and infrastructure of our UI program. This project achieved several significant milestones this fiscal year that were exceptionally well-timed and helpful in enabling the Department to meet the growing demand for services.

We strongly encourage unemployed New Jerseymans to file for UI benefits online through our new internet application at www.njuifile.net. This very significant new component of NJ SUCCESS enables the Department to process a substantial portion of initial claims filed over the Internet with no agent intervention. We installed this system improvement last November, and it has allowed the Department to significantly reduce the percentage of claims requiring data entry by call center staff, freeing their time to answer claimant calls. In addition, as more claims are filed online, we can reduce the wait times for our customers who do contact the Department using the telephone. Approximately 118,000 internet claims have been processed since January 25 and approximately 50% of these claims were processed without agent intervention. These completely self-service, initial UI claims would not have been possible without the new NJ SUCCESS functionality. Because each internet claim that requires agent assistance takes an average of 5 minutes to complete, in this period alone, NJ SUCCESS saved the Department
4,916 hours of staff time.

In August of last year, we implemented a “virtual call center,” linking the databases of our three discrete call centers to allow calls from any part of the state to be handled at any call center. This NJ SUCCESS project was subsequently enhanced to place every customer into a single statewide telephone queue, no matter which call center number they dialed initially. This new system now directs callers to the next available agent in any of our call centers, improving customer service and workflow management.

Additionally, NJ SUCCESS now enables automatic scheduling of appointments and allows claimants to view their employment data after successfully authenticating their secure personal information. Other recently-installed NJ SUCCESS functions have improved UI statistical data to facilitate job matching and reemployment, made navigation of the system more user-friendly, and allowed claimants to choose to have their benefit checks deposited directly into their bank accounts.

In all, NJ SUCCESS has allowed the Department to better handle an increased claim workload caused by the highest unemployment rates in nearly 20 years. Our modernization efforts helped New Jersey avoid the unemployment system meltdowns indicated by headlines in other states last winter, such as “Jobless System Fried,” “Unemployment System Buckles” and “Unemployment Claims Crash Website” in news articles about the crashes of the UI systems in Ohio, New York and North Carolina.

Unemployment Insurance Trust Fund
At the same time that the Corzine Administration has improved the Unemployment Insurance benefits program, Governor Corzine has also made the right decisions to support New Jersey’s Unemployment Insurance Trust Fund. In partnership with the Legislature, Governor Corzine was the first New Jersey governor to deposit state funds into New Jersey's UI Trust Fund, which will minimize the magnitude of the required increase in employer wage taxes that is triggered automatically under state law when the UI Fund falls below statutorily-designated balances.

The New Jersey Unemployment Insurance Trust Fund, from which UI benefits are paid, was designed to be forward-funded, building up surpluses during strong economic times to carry it through down periods of the business cycle. This year, the magnitude of this economic downturn, combined with low fund balances due to past diversions, led New Jersey to join 13 other states in borrowing from the U.S. Unemployment Insurance Account in order to continue to pay UI benefits. Due to the statutory change included in Section 2004 of the ARRA, these federal cash flow loans will not accrue interest through December 31, 2010.

While previous administrations weakened the UI Trust Fund by diverting more than $4.7 billion in revenue to other uses and simultaneously lowering the tax triggers that would have replenished the Trust Fund, Governor Corzine put an end to these diversions when he took office in 2006. Facing a depleted UI Trust Fund, in 2008 and 2009, Governor Corzine took further steps, working with the Legislature to transfer a total of $380 million in state funds from the General Fund into the UI Trust Fund. Those deposits – together with legislation that qualified
New Jersey for a $207 million deposit of federal funds into our state UI Trust Fund through the Unemployment Insurance Modernization provisions of the federal Recovery Act – helped bolster the balance in the UI Trust Fund on March 31, 2009, in time to count for the calculation of the next fiscal year’s tax rates. These actions taken together have reduced the size of an automatically-triggered increase in employer wage taxes.

Without Governor Corzine’s intervention in March of 2009 and June of 2008, employer wage taxes would have jumped by $886 million beginning July 1, 2009, rather than the $340 million increase that will take effect this year. As our economy rebounds from this recession, New Jersey will restore our UI Trust Fund to solvency, triggering higher employer payroll taxes for several years followed by automatic wage tax cuts once the Fund balance has recovered. Governor Corzine and the Legislature deserve great credit for these efforts, which shielded employers from an additional $546 million increase this year.

**Job Training and Workforce Development**

Providing benefits to unemployed workers is a crucial mission, but even more than a check, dislocated workers often need help finding a new job and support for their job skills training. Unfortunately, for the past eight years, the federal government severely reduced funding for important workforce development programs. New Jersey’s Workforce Investment Act (WIA) funding was cut by 28 percent from FY 2000 through FY 2009, and Employment Services funding was reduced by 11 percent. These cuts have challenged the ability of our department and our local partners to provide key services to workers in need of training and other reemployment services and hindered the ability to develop more of the skills of our workforce to effectively meet the needs of the changing economy. This year, Governor Corzine played an active role in reversing this trend, working with New Jersey’s Congressional delegation and the Obama Administration to help craft the recently-enacted federal Recovery Act, which includes key workforce development funding to meet New Jersey’s needs.

New ARRA funding for federal workforce programs will provide important services to dislocated workers, older workers, disadvantaged youth and adults, and workers whose jobs have been lost due to international competition. New Jersey's Workforce Investment Act (WIA) programs for dislocated workers received an additional $32 million through the ARRA, to provide more individuals with skills training in demand occupations and develop employment opportunities through the state’s One-Stop Career Center network. Some of the funds will also support our Rapid Response Team, which works to provide reemployment services on the job site to workers who are facing a plant closing or a major layoff.

The Recovery Act also provided more than $9 million in new WIA funding to increase training and employment opportunities for disadvantaged adults and an additional $21 million for the WIA disadvantaged youth program. For the first time in more than a decade, these special WIA Youth funds may be used for summer employment programs that pay wages to low-income young people across our state. And New Jersey’s Wagner-Peyser Employment Services program received $10.6 million through the ARRA to provide employment services such as skills assessment, career exploration, resume writing, job-search and interview-skills workshops through the One-Stop Career Center network.
These one-time infusions of supplemental resources will help New Jersey's workforce development system to provide more services to New Jersey's workers at a time when this help is sorely needed. This stands in contrast to the previous eight years in which the demand for these services often went unmet, due to the federal government's ill-advised disinvestment in the workforce development system.

**Real Time Jobs in Demand**

We recognize how vital it is that these special Recovery Act resources are spent both quickly and wisely, and we are working with all of our partners to ensure that New Jersey gets real value for these investments. So, in these challenging times, the Department of Labor and Workforce Development is using its resources in innovative ways. We shrank the size of the permanent workforce of the Department over the past three years and we have developed new tools to help provide more effective services.

Our Department is helping workers find jobs today as well as to understand what skills are needed for the jobs that will soon be created, including those jobs created by the Governor's Economic Recovery Program and the federal ARRA stimulus. We have created an innovative tool, Real Time Jobs in Demand, to identify jobs that are in demand right now — jobs for which we know that employers are currently hiring and for which no ready supply of unemployed workers is available. This new planning tool is helping to prepare New Jersey's workforce for tomorrow's "new economy," while simultaneously meeting the immediate challenge of connecting dislocated workers with new and emerging job opportunities. We are working closely with local Workforce Investment Boards (WIBs) to ensure that they target their allocation of ARRA training funds at getting workers into jobs that are currently in demand.

This information on Real Time Jobs in Demand is available to help jobseekers and counselors at One-Stop Career Centers understand which jobs are open in today's labor market, so that students, dislocated workers or those re-entering the labor force can make informed decisions. It specifically addresses questions such as: Which jobs have current and future demand? What jobs currently have a labor shortage? How much are these jobs paying? Do job seekers have the necessary credentials for their next job? Real Time Jobs in Demand can be accessed on the Department's website, www.nj.gov/labor. We are also testing a new web-based technology application to facilitate the rapid reemployment of workers who lose their jobs in a mass layoff, by arranging connections between employers who are reducing their workforce and employers who are interested in hiring these workers.

**Workforce Development Partnership Program**

As New Jersey emerges from the global recession, we anticipate that many good-paying job opportunities will be created that require higher-skilled knowledge workers or workers with specific skills training. In conjunction with Governor Corzine's Economic Growth Plan, we have targeted the Department's partnerships with employers to train incumbent workers through customized training grants for the skills that are in the highest demand. Through these grants, New Jersey invests in employers who invest in their own workers. The program identifies real market demand for specific skills because employers are willing to invest their own dollars in this training.
This fiscal year to date, we have awarded $17.5 million in Customized Training grants to assist employers in training more than 43,000 employees. We expect that, by the end of FY 2009, a total of $28 million will be distributed to assist 300 businesses to train approximately 60,000 employees, with more than $50 million in matching contributions from employers.

The Workforce Development Partnership Program also provides dislocated and displaced workers with individual grants up to $4,000 for training to upgrade their skills in demand occupations. Nearly 3,000 training grants totaling $9,807,571 million were awarded to program participants during fiscal year 2008. The Department also provides services to over 800 unemployed workers under the Self-Employment Assistance program, which provides counseling, technical assistance, and entrepreneurial training grants to unemployed workers who want to establish their own businesses.

Green Jobs
Through a unique collaboration in four communities, regional partners are implementing an innovative Green Job Training Partnership Program. The New Jersey Department of Labor and Workforce Development (LWD), supported in part by a $300,000 grant from the Conserve to Preserve Foundation of the New Jersey Resources Corporation, provided a grant to Isles, Inc. for the creation of the New Jersey Center for Energy and Environmental Training (CEET) to develop curricula and coordinate these efforts.

CEET and its community-based partners will work to provide a pipeline of entry-level workers for the new jobs that will be created as a result of Governor Corzine’s Economic Recovery Plan and the State’s Energy Master Plan, through energy-efficiency projects now being readied for implementation by the New Jersey Board of Public Utilities. The program will provide crucial training to traditionally under-served urban men, women, and youth, including ex-offenders, as well as re-training for incumbent workers seeking to upgrade their skills. This initiative will develop a skilled work force that will assist in meeting the job demands of businesses in the energy and environmental sectors.

Innovation Partnership Institutes
To better prepare workers for the innovation economy, the Department, in partnership with the State Employment and Training Commission, Department of Education and the Commission on Higher Education, has established Innovation Partnership Institutes (IPI) to improve the dialogue between training providers and employers about the talent needs of specific industries, define the emerging skills required by these sectors for occupational competence, and develop new curricula to meet the skills needs of key industry sectors.

Over the past two years, we have funded IPI consortia to address the future workforce skill needs in seven specific industries. The first grants supported Financial Services; Information Technology & Communication; and Life Sciences. This year, we are working to promote the results of these initiatives, by posting IPI-created curricula on the web to ensure that New Jersey's educational institutions, job training providers, students and jobseekers have access to these resources. The newest consortia for Clean Energy Technology; Advanced Manufacturing;
Transportation & Logistics; and Energy Efficiency are still building their curricula. When completed, those curricula will also be available electronically.

**Basic Skills/Literacy**

Our commitment to skills development is not limited to workers in high-skill occupations. Through the Supplemental Workforce Fund for Basic Skills, our Workforce Literacy Training grants are helping workers build the strong foundation of basic workplace skills so that they can continue to add skills and make their way up the career ladder. These grants provide training in core skills such as reading, math, communication, computer operations and English as a second language. In this fiscal year to date, grants totaling $2.3 million have been awarded to New Jersey employers to train 3,300 employees. It is expected that by the end of this fiscal year a total of $3.2 million will be awarded to assist employers in training approximately 10,000 employees.

More than 200 smaller employers have been able to train more than 2,000 of their workers in basic literacy skills through a consortium that began last year through a partnership with the New Jersey Business and Industry Association and all 19 of New Jersey's County Community Colleges. Such consortia enable companies to train their workers even if they cannot afford to have a full class of 12 or more workers away from production, by allowing one or two workers to take time away from their work to obtain this crucial literacy training.

The Department is continuing to improve access to adult basic literacy training through our Workforce Learning Links (WLL) program, funded by the Supplemental Workforce Fund for Basic Skills and located at the One-Stop Career Centers and partner agencies. Using a computer-based, self-paced learning program with staff-assisted instruction in a workshop setting, the Workforce Learning Links increase participants’ literacy levels and improve their employability through training in GED preparation, math, reading, writing, financial literacy, life skills, workplace literacy, English as a second language and basic computer skills. This past year, we opened three additional WLL sites, bringing the total to 55 statewide.

**Vocational Rehabilitation Services**

The Department's Division of Vocational Rehabilitation Services offers a complete array of services to prepare people with disabilities for the workforce and takes measures through its extensive counseling efforts to ensure that our customers are able to compete on a level playing field and retain their employment once they are placed. With a supplemental grant of more than $7 million in additional funding from the federal Recovery Act, New Jersey's Vocational Rehabilitation Services programs will be able to help additional individuals with disabilities achieve their employment goals, so that New Jersey can tap the talents of all of the workers in our state. In federal Fiscal Year 2008, 4,384 recipients of New Jersey vocational rehabilitation services were successfully rehabilitated and placed in jobs. For those persons placed successfully in jobs, the average weekly wage at achievement of employment was $377, compared with an average weekly wage at the time of referral to DVRS of $74.

**Welfare to Work**

The Department of Labor and Workforce Development and the local One-Stop Career Centers
continue to develop partnerships with the Department of Human Services and local Boards of Social Services, as we jointly work to increase the work participation rate of Temporary Assistance to Needy Family recipients. The Department of Labor and Workforce Development was awarded a three-year, $1,980,846 grant starting July 1, 2008 from the U.S. Department of Labor, Division of Adult Services Employment and Training Administration, to serve Post-TANF Dislocated Workers who are unemployed and collecting Unemployment Insurance benefits or who are working in industries considered “at risk.” The Department will join with Community Colleges, adult basic education providers and employers to develop a Healthcare Careers Preparation Model that will support former TANF recipients to access employment and training that will move them into and advance up the healthcare career ladder.

**Prisoner Re-entry**
The Department has continued our vital role in Governor Corzine’s Public Safety re-entry strategy to assist people moving from the criminal justice system to the workforce. In three major urban areas, ex-offenders participating in the Another Chance demonstration project are assigned a job coach to assist with their job development and placement needs. We will continue to coordinate with the Department of Corrections and the State Parole Board to refer individuals to One-Stop Career Centers during the next year.

New Workforce Learning Link (WLL) sites at several Department of Corrections facilities will enable more inmates to increase their workplace basic skills using interactive computer technology. We placed WLLs at Northern State and Garden State Prisons in addition to the Learning Links already established at the Riverfront, Edna Mahon, Mid-State and Albert C. Wagner facilities. In cooperation with the Juvenile Justice Commission, we have established a Next Steps center at Jamesburg Training School to provide literacy skills, career guidance, and pre-employment preparation for transitioning older youth. Our One-Stop Career Center system throughout the State will continue to provide help to returning inmates and parolees – both juvenile and adult – in finding jobs, training, and supportive services needed to be successful.

We also are working with the Department of Corrections to improve the alignment of the training provided to inmates with the skills currently in demand by employers. In the last year, the Department developed a list of occupations for which New Jersey employers have been most likely to hire ex-offenders, and we have shared this information to be provided to all transitioning inmates before their release. In collaboration with the Office of the Attorney General, the State Employment and Training Commission and the Advisory Council on Corrections, the Department has worked to advise and assist the correctional system in ensuring that steps taken to prepare an inmate for release include an understanding of what is needed in the labor market today and in the future.

**Employee Misclassification**
As I have noted in my testimony before this committee in the past, a key element in providing social insurance is to ensure that all employers cover their eligible workers. For this reason, the Department maintains robust enforcement programs to crack down on unreported cash wages, misclassification of workers, and violations of labor standards, so as to maintain a level playing field for employers and protect New Jersey’s workers. The Department delivers vital workplace
protections for workers and fosters fair competition for law-abiding employers through the fair and even-handed enforcement of New Jersey’s labor laws. During Fiscal Year 2008, as a result of the Department’s payroll tax compliance efforts, we have identified more than 21,000 workers who were misclassified or whose wages were not reported, and more than $680 million in underreported wages. So far, in the first three quarters of this fiscal year, we identified more than 19,000 workers who were misclassified or whose wages were not reported, and more than $385 million on underreported wages. These investigations are coordinated with the Department’s Division of Wage and Hour Compliance, which brings related enforcement actions to ensure that workers are paid the wages they are due.

Wage and Hour Law Enforcement
Last year, the Division of Wage and Hour Compliance recovered approximately $6.3 million in back wages and overtime pay owed to more than 9,200 workers in New Jersey. To reduce the exploitation of low-wage workers and to make it easier for workers to pursue their wage claims, the Department holds wage collection proceedings at locations across the State to provide easier access for all parties. These and other enforcement efforts depend on sanctions, including penalties and fines, to be effective and the Legislature has been helpful in providing the Department with tools to help deliver more effective enforcement.

The Department enforces the Prevailing Wage Act and Public Works Contractor Registration Act for contractors working on publicly-funded projects. Enforcement of these laws will require continued vigilance as more public works jobs get underway through stimulus funding. The Department conducted more than 1,500 Prevailing Wage Inspections last year and, while debarment is the last recourse in our efforts to bring a contractor into compliance, the Department debarred 75 companies and 93 individual owners last year. The Department also revoked the Public Works Contractor Registrations of 39 contractors who violated our laws in an attempt to gain an unfair advantage over legitimate, law-abiding contractors, and we refused to renew the registrations of 232 other contractors.

Workers’ Compensation
Earlier this fiscal year, Governor Corzine signed into law a package of six bills to strengthen the ability of New Jersey’s workers’ compensation system to protect vulnerable workers injured on the job. In addition to expanding public representation on the Board that sets premium rates for Workers’ Compensation insurance, these bills also provide greater flexibility to address emergent medical needs and provide timely medical care. They provide enhanced authority for judges of compensation to enforce their decisions and they will help ensure that employees working in New Jersey are properly protected with Workers’ Compensation insurance.

The Department is embarked on a long-term upgrade of the information technology systems supporting the Workers Compensation courts. The first three phases of the COURTS online system have been implemented and found by all parties to be very effective, allowing the majority of all legal pleadings with the Workers Compensation courts to be electronically filed on the web. We are now developing phase IV of this system to provide additional tracking data.
Temporary Disability Insurance
When a worker is unable to work due to an illness or injury that is not work-related, New Jersey’s Temporary Disability Insurance program provides partial wage-replacement income. Last year, 171,500 workers filed claims for these benefits and the Department paid out $456 million in temporary disability insurance benefits.

The Department is getting ready to implement New Jersey’s Family Leave Insurance (FLI) program, an historic achievement that will provide New Jersey’s working men and women a measure of income security during times when the serious health needs of a close family member require a worker to take time away from his or her job, or when parents take leave from work to bond with a newborn or newly-adopted child. Employee payroll deductions for this program began January 1, 2009 and are reflected on employers’ first quarter tax reports. The Department has adopted final regulations to guide the public, and we are in the final stages of system development for claims intake and benefit payments, which will begin July 1, 2009.

Social Security Disability Determination Services
The Department’s Division of Disability Determination Services (DDS), funded entirely by the federal Social Security Administration (SSA), uses medical evidence to make disability and blindness determinations that are used by SSA to process applications for long-term Social Security disability benefits by New Jersey citizens. Over the past year, our DDS program has continued to improve the quality of service provided to New Jersey’s citizens who file for Social Security Disability Insurance and Supplemental Security Income disability benefits by reducing the average time it takes to process a claim to less than 100 days. In Federal Fiscal Year 2009, DDS is projected to receive 60,140 new claims for benefits. Social Security Disability beneficiaries in New Jersey receive $2.8 billion annually, and the work of the DDS staff of our Department is essential to ensuring that these claims are adjudicated fairly, accurately, and expeditiously.

Operational Efficiencies
We recognize that finding savings and pursuing operational efficiencies requires ongoing effort, and this is one of the core business practices of our administrative team at the Department of Labor and Workforce Development. This year, by clearing space in our warehouse, we enabled the Department of Children and Families’ Supplies and Publication distribution operation to relocate from 135 East State Street to fill the newly-vacant space. This generated two-fold savings, as the Department of Labor and Workforce Development reduced our lease payment by the cost of 2,500 square feet, and the Department of Children and Families reduced its cost per square foot for its warehouse needs by 66%. We also implemented cost savings, through consolidating or reducing the size of facilities, renegotiating lower lease costs or closing offices and leased facilities. We closed five locations and in some cases, operations were consolidated at other sites in the area. As a result of these facility consolidations, and through the “restacking” of the Labor Building, we have been able to locate more of the Department’s employees in the Labor Building. By optimizing the placement of staff within the building, we reduced the need to replace some of the management and supervision personnel who retired and enhanced communications and controls. In all, the savings from the changes in our facilities netted a savings of $1.6 million.
Conclusion
Thank you for this opportunity to appear before you. I will be happy to answer any questions you may have.