Treasurer Andrew Sidamon-Eristoff
Treasury and Interdepartmental Testimony
Assembly Budget Committee
April 21, 2010

Good morning

Chairman Greenwald. Assemblyman Malone. Members of the Assembly Budget Committee. I am pleased to appear before you to present the Governor’s proposed FY 2011 budget for the New Jersey Department of the Treasury and Interdepartmental Accounts.

I am joined today here by Deputy Treasurer Debra Bell, Charlene Holzbaur, the Director of the Office of Management and Budget, many Division Directors, and other senior staff from the Treasurer’s Office. I am also joined by the chief executive officers of Treasury’s “in-but-not-of” agencies.

As I know you will appreciate, Governor Christie’s new administration has of necessity focused on the need to stabilize New Jersey’s finances and position our economy for renewed economic growth. Although much of my time and attention has been devoted to the larger budget context, I am acutely aware of my concurrent responsibility to manage the Department of the Treasury. The Governor’s proposed budget for Fiscal 2011 impacts every department of State government, and today I appear before you in my capacity as an agency head who, like all my colleagues, must find a way to deliver services and manage many important functions of state government with less resources.

The Department of the Treasury’s functions are broad in scope, diverse, and often extremely complex. In addition to managing the State’s budget, Treasury divisions are responsible for collecting revenue, asset management, public finance, and delivering an array of critical statewide support services.

The proposed FY11 Budget for the Department of Treasury totals $1.7 billion, a decrease of over $1 billion from fiscal 2010. As you know, a majority of this funding passes through Treasury in the form of State aid, grants in aid, and property tax relief. After subtracting these pass-through amounts, the remainder constitutes Treasury’s Direct State Services appropriation. This appropriation, in turn, includes operational funding for the “in, but not of agencies,” which are housed under Treasury but not under the direct control of the State Treasurer, including the Board of Public Utilities, the Office of Information Technology, the State Comptroller, the Inspector General, the Public Defender, the Office of Administrative Law and the Garden State Preservation Trust.

Setting aside appropriations for the "in but not of" agencies, the Governor’s proposed budget recommends a $206 million General Fund appropriation for Treasury’s core function, a $9.5 million, or almost 5 percent reduction, from the FY10 appropriation. A work force of approximately 3,220 full-time employees supports these core functions. Most of these employees -- about 2,535 -- are supported through the General Fund, while the rest are funded by fee-based or revolving funds.
Our focus for the Department of the Treasury in FY11 will be on our core mission and core competencies. To that end, I will be asking our senior managers to continue to execute on priorities I have outlined since my arrival in Trenton. Some examples would include:

- Shifting our tax administration paradigm to emphasize voluntary compliance, which accounts for roughly 95% of our tax revenue;
- Working closely with the Lt. Governor’s Red Tape Review Group to streamline our regulations and to ensure that our rules are not overly burdensome;
- Implementing a statewide performance management program, in accordance with the Governor’s Executive Order #8;
- Streamlining and consolidating all boards, authorities and commissions of which Treasury is a part;
- Implementing the recent pension reform legislation efficiently and effectively; and
- Optimizing the way in which we manage the State’s debt and public finance program.

Treasury Divisions have faced difficult challenges before, and they have always stepped up and delivered results. For example:

The Division of Purchase and Property and the Division of Property Management and Construction continue to look for opportunities to do procurement in smarter and more economical ways. They have streamlined processing activities, pursued technological advances, and made it easier for agencies and suppliers to do business with the State.

The Office of Energy Savings continues to make great strides in cutting power costs by finding methods to reduce usage and by making upgrades. A new Energy Tracking System provides online access to key energy, cost, and environmental metrics for all State buildings and will serve as the foundation of the State’s energy savings program. We are utilizing Federal Stimulus funds to complete energy efficiency upgrades at some of the state’s largest public institutions. In addition, there are currently more than 30 energy efficiency upgrade projects in various stages of development throughout State government.

Our Division of Administration continues to reduce the State’s passenger vehicle fleet. In March, I authorized a recall which is currently in process and will reduce more than 300 vehicles (approximately 5% from each state agency). The reduction in the size of the vehicle fleet is expected to save on annual fuel and maintenance costs and will likely generate over $300,000 in one-time revenue from the sale of the vehicles.
Significant savings are also being realized by the Division of Property Management and Construction through space efficiency improvements. For FY10, we expect to achieve more than $4 million in lease reduction savings.

The Division of Revenue continues its migration from labor-intensive, paper-based systems to electronic formats. This has resulted in reduced expenditures for seasonal staffing, overtime and contract services.

Revenue has also worked with the Division of Taxation and the Department of Labor and Workforce Development to implement a paperless quarterly employer filing system. Virtually all withholding and wage reporting forms -- over 500,000 transactions per quarter -- are submitted electronically via the Internet or through a secure digital bulk filing service.

The Division of Lottery had its most successful year ever in 2009, generating more than $887.2 million for educational programs and state institutions. The addition of another multi-State Lottery game, Powerball, is expected to increase revenue even further in FY11.

The Division of Investment outperformed other states in 2009 and the pension fund has been growing in fiscal 2010. The fund rose 14.1 percent from July 1 to February 26, climbing to a current market value of $67.3 billion. Investment returns have added almost $7 billion to the funds since April 30, 2009, when the fund was valued at $60.5 billion. Since June 30, 2009, we have paid out nearly $3.2 billion in benefits.

The Division of Pensions and Benefits is working tirelessly on numerous activities in support of pension reform and to streamline pension administration, including the implementation of new on-line service tools for employers and employees.

In closing, I would simply note that although I am extremely proud of what Treasury staff have accomplished, and continue to accomplish, notwithstanding the ongoing financial constraints, I must also acknowledge that there is only so much we can do on the administrative side without seeking the advice and support of the Legislature. Over the coming weeks and months, I intend to reach out and brief you on our proposals for statutory reform in respect of a variety of functional areas --- many quite technical in nature --- so that we might improve both the operations of State government and service delivery to our constituents. I look forward to working with you.

At this time, I would welcome questions from the committee.