



State of New Jersey
OFFICE OF THE STATE TREASURER
PO Box 002
TRENTON NJ 08625-0002

CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

ANDREW P. SIDAMON - ERISTOFF
State Treasurer

June 8, 2015

Dr. David J. Rosen
Legislative Budget and Finance Officer
Office of Legislative Services
State House Annex, P.O. Box 068
Trenton, NJ 08625-0068

Dear Dr. Rosen:

Pursuant to your letter dated May 20, 2015, it was requested that I provide a written response posed by Senator Sarlo following the May 19, 2015 hearing of the Senate Budget and Appropriations Committee. The questions and their subsequent answers are as follows:

On the first page of your opening statement you report that FY 2015 gross income tax collections exceeded expectations on account of "strong final settlements of payments in April of this year which, in turn, reflect a strong 45% increase in the realization of capital gains in tax or calendar year 2014." Please provide the data, news or research report(s) on which the statement is based that capital gain realizations grew by 45% in tax year 2014.

Two complementary methodologies were used to estimate the level of capital gains realizations for 2014: The first was an econometric estimate and the second was based on empirical observation.

The econometric estimate utilized historic data from The New Jersey GIT SOI on capital gains, actual and forecast values for interest rates, national GDP data and the consumer price index. The model was estimated using 22 annual periods from 1992 to 2013 and produced forecast growth of New Jersey capital gains for 2014 of 45%.

A preliminary review matching TY 2014 returns against 2013 returns was undertaken, and there was strong indication confirming the 45% growth anticipated by the model results. Full verification will await the compiling of the 2014 NJ GIT SOI report. In addition to the NJ 1040 tax returns already processed, the SOI will include information from the critical extension filers who will not file until September/October 2015.

The Treasury's reply to Discussion Point #9 in the OLS FY 2015-2016 Department of the Treasury Budget Analysis noted that NorthstarNJ's projected FY 2015 administrative expenses approximated \$48.0 million (\$23.3 million for marketing/advertising expenses, \$19.9 million for management and administrative expenses, and a \$4.8 million management fee). In addition, the Treasury stated that NorthstarNJ had 130 full-time employees. Dividing the projected \$48.0 million overhead by 130 full-time employees yields an FY 2015 per-employee cost of \$369,000. Considering that this average figure is inflated by non-personnel expenditures, please indicate the real estimated FY 2015 average salary, benefits, and bonus cost per NorthstarNJ employee and provide the equivalent number for the State employees who performed sales and marketing functions for the State Lottery in FY 2013.

In FY2013 New Jersey Lottery had 68 staff members working in the Marketing and Sales areas.

Total salaries and benefits for those employees were as follows:

(note: the salary and estimated benefit cost do not include any adjustments for salary increases)

\$6,400,184.27 Salaries and Benefits

\$94,120.36 Average per employee

In FY2015 Northstar New Jersey has 121 staff members working in the Marketing and Sales areas.

Total salaries and benefits for those employees are as follows:

\$12,948,683.83 Salaries and Benefits

\$107,013.92 Average per employee

Sincerely,

A handwritten signature in blue ink, appearing to read 'Andrew P. Sidamon-Eristoff', is written over the typed name and title.

Andrew P. Sidamon-Eristoff
State Treasurer