Good morning, Mr. Chairman and Members of the Committee.

Please, allow me to introduce my colleagues at the table with me today: Thomas Neff, Deputy State Treasurer, and David Ridolfino, Acting Director of the Office of Management and Budget. Also in attendance this afternoon are many Treasury Division Directors, as well as the chief executive officers of several of Treasury’s “in-but-not-of” agencies.

While I appreciate and share the keen interest with which everyone on this Committee is watching final revenue numbers for April, I understand that the focus of today’s discussion is on the $6.40 billion budgeted for Treasury and the State’s Interdepartmental accounts in Fiscal 2017 rather than the entirety of the $34.8 billion State Budget. Accordingly, my opening statement will be directed as such. Of course, another hearing is scheduled for next week, at which time I will come fully prepared to update you on our expectations for both revenues and expenses, for this year and next.

Returning to the topic du jour, Treasury’s functions are broad in scope, diverse, and often extremely complex. While understandably our most frequent interaction with members of this Committee pertains to our management of the State’s budget process, Treasury divisions also are responsible for collecting revenue, asset management, public finance, and delivering an array of critical statewide services such as procurement, capital construction, risk management, and benefits administration.

In appreciation of Treasury’s diverse functions, as well as your indulgence of my lengthy opening statement at our previous date, I will attempt to keep this opening statement concise and then leave plenty of time for my colleagues and me to answer your questions.

To provide some further color on both the depth and breadth of the activities taking place within Treasury, please allow me to provide a brief sampling of some of the accomplishments of Treasury Divisions over the past year. In particular, I want to highlight some of the efforts at driving a State government that is more efficient and taxpayer friendly—after all, New Jerseyans are our clients.

- The Office of Management and Budget, the Division of Pension and Benefits, and the Office of Information Technology successfully delivered 1095-B and 1095-C forms to State employees and retirees, allowing them to prove for IRS purposes that they had health care, as required this year for the first time by the Affordable Care Act. We were one of only two states to meet the initial deadline for provision of the form.
- OMB also is moving forward with a new budget management and planning system. As I think your own OLS would tell you, the efforts have been positive and the final product will help
provide us, and the Legislature, with enhanced functionality, analytics, and budgeting processes, all while eliminating many manual and duplicative processes currently performed by agencies, OMB and OLS, allowing for a more efficient State government to better serve the public.

- The Division of Pensions and Benefits implemented a series of health benefit plan design changes that led to significant cost savings as directed by the plan design committees. The Division likewise continues to support the on-going efforts with the plan design committees to find the additional $250 million in health benefit savings that are designated in the Fiscal 2017 Budget. As we discussed previously, we believe the incentives of all parties are aligned to find these savings with no disruption to quality of care for our public employees. In addition, the Division has continued adding functionality to its internet-based administration system in order to provide better and more convenient service to active and retired public employees.

- As of April 30, 2016, the Division of Property Management and Construction had procured the demolition and site restoration of 346 Sandy-damaged homes in South River, Sayreville and Woodbridge as part of the Department of Environmental Protection’s “Blue Acres” program, with many more projects in the pipeline in various stages of design, procurement and contracting. The Division also began demolition in February of this year as part of the Department of Community Affairs’ Unsafe Structures Program, which differs from the Blue Acres Program in that the homeowner retains ownership of the property throughout the demolition process. DPMC also is currently engaged in three Energy Savings Improvement Plan (ESIP) projects, including at the NJ State Police campus, DOT Headquarters, and the Marie Katzenbach School, in addition to auditing several other facilities for potential ESIP procurements.

- In addition to continuing to speed up the processing of tax returns, and thus facilitating quicker payments of any refunds owed, the Division of Revenue and Enterprise Services launched a new and improved Business Formation/Registration service. An example of the Department looking to find ways to make interaction with State government easier for the business community, the web-based application streamlines the process of forming and registering a business, integrating legal filing, tax identification number entry, tax registration, and employer registration into a single coordinated Internet-based service. So far, well over 80 percent of all new businesses choose to file through this channel. Also of note is that this improvement in government services required no upfront capital investment. The Division received several Significant Achievement Awards from the Public Technology Institute for its work on this project. The Division also launched a new correspondence and case management tracking system to allow taxpayers to respond online to notices sent by the Division of Taxation. The New Jersey Online Notice Response Service leads to significant benefits for taxpayers, such as obtaining dated proof of delivery via email, guaranteeing prompt and proper routing of responses, enabling call center employees to have full insight into the status of the taxpayer’s case, eliminating costs, delays and errors associated with mailed documents, and helping reduce the cost of government operations. We are approaching a one-third voluntary up-take rate for this brand new service, including strong up-take amongst EITC filers, as well as many filers using
mobile technology to send Taxation their responses. Thus, not only are we opening new and improved service channels, those channels are also helping segments of the taxpayer community that can often go under-served.

- In conjunction with DORES, the Division of Taxation has greatly accelerated the speed of refund processing this year, all while improving our standards of fraud detection. Ahead of the current tax season, the Division spent six months reviewing its processes and procedures, including refining processes to validate legitimate refunds—and thus accelerate their delivery—as well as to establish more robust security measures for the detection and prevention of refund fraud. Through the end of April, the Division had issued 7% more refunds than through the end of last April, with no reason to expect a significant change in the number of taxpayers receiving refunds.

- The Division of Purchase and Property has been rolling out NJSTART, the State’s new, state-of-the-art web-based procurement solution. More than 10,500 vendors have registered and can use NJSTART to maintain their company profile information, manage vendor forms and certifications, review bids, submit quotes, and receive email notification of State procurement opportunities. NJSTART vendor profiles are now linked to the Division of Revenue’s Business Registration System and the OMB finance and accounting system through real-time online interfaces. In addition, in response to the frequent request of vendors, the vendor portal stores required forms, eliminating the need for suppliers to file the same, static forms as part of each procurement.

The Division has been shifting more and more activity to NJSTART as we build momentum within the system. Last September, the Division launched its first pilot procurement program. The first contract procured through NJSTART was awarded in February. Now, all State agencies have begun their initial purchases on the system, starting with the procurement of office supplies. Moving forward, we anticipate that all DPP solicitations will be published on NJSTART by the end of the fiscal year, all issued contracts will be converted by the end of October, and all other procurements will use NJSTART by the end of FY17.

We view this implementation as a tremendous enhancement both for the State and our vendors. It makes the procurement process run much more smoothly internally to the State, and removes logistical challenges from the vendor perspective. As such, this is the quintessential taxpayer-friendly program, modernizing a function in a way that creates savings and also eases the process of doing business with the State for all vendors. It helps the business community by reducing bureaucracy, enhances competition by making the vendor process more transparent, and it ensures accountability and better compliance with laws among the vendor community.

- Before happily addressing any questions you might have, I would like to take a few minutes to touch on one final important topic that might be of interest to the members of this Committee, as well as the citizens of New Jersey who we are all privileged to serve.

Last November, the Division of Taxation announced that it would begin conducting investigations to determine whether to order a revaluation of the properties within the boundaries of delinquent municipalities. In a property revaluation, the municipality hires a vendor to inspect homes and commercial entities and notify the town of any improvements as well as changes in market value.
Updating assessments does not, in the aggregate, increase or decrease taxes. However, it helps ensure that people are being assessed fairly and that no one is paying more than his or her fair share.

Via the investigation that began last fall and ran through this spring, the Division ordered a revaluation in Dunellen, Elizabeth and Jersey City. In accordance with State regulations requiring revaluations to be completed no later than November 1st of a calendar year, those towns have until Nov. 1, 2017, to complete their revaluations. To reduce the likelihood of political interference, notifications about new property assessments cannot be shared with residents until after November 10th of that year.

In addition, last month the Division notified five additional towns that it will conduct investigations. The towns are: South River in Middlesex County, Harrison and East Newark in Hudson County, and Westfield and Winfield in Union County. Based on a statistical analysis of applicable criteria, those eight towns—the three where revals have been ordered already and the additional five where we announced investigations—are the least compliant in the State in terms of updating assessed property values. Not one has had a reval in the past 25 years.

At issue is whether or not the municipalities are violators of State law regarding uniform tax fairness. In particular, the 1947 State Constitution contains a “uniformity clause” that requires all property taxes be assessed uniformly State-wide.

The resultant problem when municipalities do not engage in a revaluation is that similar properties can face extremely different tax levies. Such a result flies in the face of tax fairness because some residents are left paying more than their neighbors, whereas other residents are not paying their fair share of the tax burden.

Unfortunately, this has been a consistent problem in New Jersey because there are 32 municipalities that have not had a revaluation for at least 25 years. While this Administration has a strong belief in local rule, the Division felt it necessary to step in after exhausting all other possible steps to ensure fair, uniform taxation of residents of these municipalities. I am pleased to report that Dunellen, Elizabeth and Jersey City have all indicated that they will move forward with revaluations.

This is an issue of compliance with State law, with which hundreds of other towns abide, and tax fairness for all New Jerseyans, whether they own modest or upscale homes. We are confident that going forward, uniform taxation will now result in those municipalities that do require a revaluation, whereas previously it did not occur.

Thank you, we are now happy to entertain your questions.