State Treasurer Ford M. Scudder

Assembly Budget Committee, Treasury and Interdepartmental Budget Overview

May 3, 2017

Good morning, Chairman Schaer, Vice Chair Burzichelli, Budget Officer O'Scanlon, and Members of the Assembly Budget Committee. It is a pleasure to join you again.

Please allow me to introduce my colleagues at the table with me today: Beth Schermerhorn, Deputy State Treasurer, David Ridolfino, Acting Director of the Office of Management and Budget, and Michael Tyger, Director of the Division of Administration. Also in attendance today are many Treasury Division Directors, as well as the chief executive officers of several of Treasury's "in-but-not-of" agencies.

While I certainly appreciate and share the Committee's interest in the State's final revenue numbers for April, the focus of today's discussion is on the $1.96 billion proposed budget for Treasury, which includes "in but not of" agencies and the $4.55 billion proposed budget for the State's Interdepartmental accounts in Fiscal 2018. Accordingly, my opening statement covers that subject. Of course, this Committee's next revenue hearing is scheduled for May 17, 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 today's topic, 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, 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 detail on both the depth and breadth of the activities taking place within Treasury, please allow me to provide a brief sampling of some, but certainly not all, of the accomplishments of Treasury divisions over the past year. In particular, I want to highlight some of the efforts the Department has undertaken to make State government more efficient and taxpayer friendly—after all, New Jersey's citizens are our clients.

- The **Unclaimed Property Administration (UPA)**, returned a record amount of money and assets, $143 million, to New Jersey residents in FY16, eclipsing FY14's record of

$126.7 million. The number of claimants reached 62,483. The State has reunited approximately $1.45 billion in funds with rightful owners since the program's inception in 1947. The Christie Administration has returned $679.64 million, a record for any administration, to claimants since Fiscal Year 2011 as Governor Chris Christie has made it a priority to reunite families with their money. Furthermore, the State has accelerated its efforts to publicize the program and raise public awareness about unclaimed property so that people know where to look and how to make a claim. The UPA has developed various initiatives designed to reunite owners with abandoned property. These initiatives include mass mailings, media campaigns, and a UPA presence at fairs, community centers and other public locations throughout the year.

- In October 2016, Treasury launched the **Office of Program Accountability and Audit** within the **Office of Management and Budget.** The newly-created office is responsible for ensuring compliance with budget initiatives and meeting spending targets as well as providing a resource to Executive Branch leadership to assist with department program oversight. It has several core functions:
    - Monitor agency compliance and progress on implementation of budget initiatives, especially those aimed at reducing spending.

    - Review departments' controls to ensure that services and benefits are consistent with the requirements of statutes and/or regulations and being delivered in the most cost-effective manner.

    - Review audits performed by the State Auditor, State Comptroller, and Federal Government to ensure any corrective action plans are in place prior to follow-ups by the audit agency, as well as review compliance with certain critical circular letters and policies as necessary.

  Since its inception just this past October, the Office of Program Accountability and Audit has conducted several performance reviews of State programs whereby it identified several millions of dollars in cost savings and recommended significant changes in operating procedures that will yield continued savings and efficiencies to both beneficiaries and the State.

- Since 2010, the **Division of Property Management and Construction (DPMC)** has worked diligently to reduce the number of State leases from 311 to 265—a reduction of 46. This correlates to a reduction of 545,844 square feet or a 6.8 percent decrease in our footprint. Since 2011, DPMC has also assisted in the closure of over 1.5 million square feet in State-owned buildings. All of these buildings are either being marketed for private use, or are currently part of redevelopment initiatives in their respective municipalities, which will bring both jobs and tax ratables. The disposal of these sites is anticipated to bring over $10 million in sale proceeds to the State.

- Over the past year, the **Division of Taxation** held well-publicized investigations of eight municipalities that had not updated property assessments for decades, resulting in assessed values of many properties being grossly out of line with market values, causing a major lack of transparency and inequities in the real property valuation process. 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.

  The investigations led to the Division ordering four towns to begin revaluations and county tax boards (Union, Hudson, and Middlesex) ordering six others to conduct revaluations.

  As a result of this successful initiative, the Division has forced all 21 county tax boards to comply with their constitutional obligation, with revaluations being undertaken in 10 delinquent towns.

- The **Division of Purchase and Property** launched NJSTART, the State of New Jersey's new eProcurement solution, in June 2016. The portal streamlines the procurement process and makes it more efficient for both the State as well as businesses looking to contract with the State. Specifically, NJSTART allows vendors to set up profiles and upload documents, and offers an online repository, which eliminates the need to file duplicate forms every time they bid on a new contract solicitation. To date, more than 20,000 vendors have registered.

  NJSTART provides an efficient and consolidated process for State agencies to conduct business, improves their efficiency, and modernizes the way that goods and services are procured. As a result, the State is in the process of retiring four of its legacy systems and integrating several others, which will result in substantial cost savings.

  Although similar systems are in use in a few other states, New Jersey is leading the way with a fully integrated eProcurement solution.

- The **Division of Property Management and Construction** oversaw the $28M renovation of Mid-State Correctional Facility, which included upgrades to the HVAC, utilities, fire detection and suppression systems, roof structure, security windows, access control system, parking lot, mailroom and security guard towers. This facility, which had been closed since June 2014, reopened in April 2017. The facility will be the first licensed, clinically driven drug treatment program provided by the New Jersey Department of Corrections (NJDOC).

The project has been funded at no increased cost to the taxpayers. Even after taking into account the costs associated with the Mid-State renovations, as well as the cost to house inmates who had been housed at Mid-State prior to its closure, the NJDOC has saved approximately $20 million in operating costs.

- Finally, our business filing programs continue to generate statistics that provide strong evidence of New Jersey's greatly improved business climate. The **Division of Revenue and Enterprise Services (DORES)** reported that new business entity filings in Calendar Year 2016 set a record -- 103,129 total new private-sector business filings, not counting partnerships and proprietorships. This represents a 19 percent increase in annual filing volume since 2006 and an impressive expansion of nearly 32% over 2009 when the sagging economy yielded only 78,155 new filings. These positive filing trends have continued into 2017. In January, February and March of this year, DORES reported 29,831 new business entity filings, compared to 28,005 new business filings in the same period last year.

  Overall, these filing trends are note-worthy for several important reasons. The increases in business start-ups can be viewed as harbingers for expanded commercial activity. Expanded commercial activity sets the stage for more robust employment. In turn, these factors presage enhanced tax collections for the State, and improved quality of life for our citizens.

Thank you for your attention and permitting me to recap some of the achievements of the Department of the Treasury. We are now happy to entertain your questions.