



State of New Jersey

Department of the Treasury

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Treasurer Abelow Delivers Updated Revenues, Departmental Testimony to Assembly Budget Committee

TRENTON – State Treasurer Bradley Abelow today updated estimated revenues for FY 2007 and FY 2008 before the Assembly Budget Committee, as well as delivered the following testimony on the Department of Treasury’s departmental budget for the next fiscal year.

Testimony of Treasury Bradley Abelow
Assembly Budget Committee
May 15, 2007

Mr. Chairman, distinguished members of the Assembly Budget Committee. Good morning.

I am pleased to return and detail to you a revised revenue picture for the remainder of FY 2007 and for the new fiscal year beginning July 1.

I am joined today by David Rousseau, Budget and Fiscal Policy Advisor to the Governor, Michellene Davis, my Chief of Staff, and Charlene Holzbour, the Director of the Office of Management and Budget.

As you just heard from Dr. David Rosen, the Office of Legislative Services and the Corzine Administration are closely aligned in our view of total revenues for fiscal years 2007 and 2008. While our estimates for some individual taxes may differ, we are pleased to see agreement in total net revenues for two budgets and \$65 billion in fiscal resources.

We come back to you today with a picture that is little changed from what the Governor proposed in his budget message in February. Absent from this update are any changes that the Legislature may consider as part of its budget review.

I would like to begin by presenting a broad overview of the budget, followed by some general, as well as more specific, summaries of revenues and spending adjustments for both the current and next fiscal years.

FY 2008 Budget Update

Treasurer Bradley Abelow

May 15, 2007

Overview

- FY 08 budget remains balanced with property tax relief the highest priority
- Revenues are generally where we thought they would be in February
- Mix of revenues, however, is quite different
- Difference between OLS and Executive is only \$29 million over the two year period – no individual tax is off by more than \$25 million
- No new policy initiatives – any changes in spending for FY 07 and FY 08 are offset by higher lapses in FY 07 and additional reductions in FY 08

Summary

- FY 07 revenues increased by \$60 million
- FY 07 lapses increased by \$136 million
- FY 07 supplementals increased by \$8 million
- FY 08 revenues decreased by \$118 million
- FY 08 net spending increased by \$70 million
- Net impact is \$600 million surplus is maintained

Income Tax

- Overall income tax is projected very close to the February estimates
- Estimates for withholding, final April payments and quarterly estimated payments differ from earlier projections
- FY 07 slightly down from \$11.465 billion in February to \$11.454 billion now – decrease of \$11 million – growth rate of 9%
- FY 08 down from \$12.415 billion to \$12.351 billion – decrease of \$64 million – growth rate of 7.8%

Sales tax

- Although sales tax revenues are still within the historical growth rates the revenue for two years is significantly lower than either Administration or OLS initial estimates
- Appears to be national trend on slower sales tax growth
- FY 07 down from \$8.425 billion in February to \$8.2 billion now – decrease of \$225 million
- FY 08 down from \$8.778 billion to \$8.56 billion – decrease of \$218 million

Corporate Tax

- Continues to be the most difficult tax to estimate
- FY 07 up from \$2.71 billion in February to \$2.95 billion now – increase of \$240 million
- FY 08 up from \$2.342 billion to \$2.52 billion – increase of \$178 million

FY 07 Supplementals

- Net increase of \$8 million in anticipated supplemental needs for FY 2007
- Would increase the adjusted FY 07 appropriations from \$31.061 billion to \$31.069 billion
- Increases include added need for Abbott settlements and the audits of Abbott districts and other smaller items

FY 07 Additional Lapses

- Increase in FY 07 and FY 08 spending needs are more than offset by the \$136 million increase in lapses due primarily to spending constraints in the current year

FY 08 Spending Adjustments

- Recognition of net increase of \$70 million in added spending needs for FY 2008
- Increases proposed \$33.292 billion budget to \$33.362 billion
- Majority of the increases are related to additional state aid to counties, schools and municipalities

FY 08 Spending Adjustments

- Additional need of \$78 million to meet constitutional funding obligations for Abbott districts
- Budget increase will only be \$54 million since we have identified \$24 million within DOE to offset portion of this increased need

FY 08 Spending Adjustments

- \$25 million to continue the local green acres program until a long term solution for the GSPT is enacted
- \$30 million to provide funding to upgrade voting machines to provide the voter verified paper trail

FY 08 Spending Adjustments

- \$7 million added to the \$3.5 million already in the budget to fund the full cost of the added presidential primary in February 2008 relieving property taxpayers of this cost
- \$8 million to cover State and local match for FEMA aid related to latest flooding

FY 08 Spending Adjustments

- Net reduction of \$24 million in debt service for K-12 school construction, county colleges and short term borrowing due to updated estimates
- \$25 million reduction in PAAD due to lower than projected current year spending
- Other smaller increases and decreases net to the \$70 million total

Conclusion

- Budget remains balanced
- \$16.6 billion in property tax relief
- No tax increases
- Tax decrease for low income families

State of New Jersey

The FY 2008 Budget

(\$ in Millions)

	FY 2007		FY 2008	
	February	May	February	May
Opening Surplus	\$ 1,779	\$ 1,779	\$ 1,941	\$ 2,129
Revenues				
Income	11,465	11,454	12,415	12,351
EITC Expansion			(64)	(36)
Sales	8,425	8,200	8,778	8,560
Corporate	2,710	2,950	2,342	2,520
Other				
Base	8,223	8,279	8,481	8,439
Total Revenues	\$ 30,823	\$ 30,883	\$ 31,952	\$ 31,834
Lapses	400	536		
Total Resources	\$ 33,002	\$ 33,198	\$ 33,893	\$ 33,963
Appropriations				
Original	\$ 30,819	\$ 30,819	\$ 33,292	\$ 33,362
Supplemental	242	250		
Total Appropriations	\$ 31,061	\$ 31,069	\$ 33,292	\$ 33,362
Fund Balance	\$ 1,941	\$ 2,129	\$ 601	\$ 601

State of New Jersey
Summary of Schedule 1 Revenues
Fiscal 2007
(in thousands) As of May 14, 2007

	CAFR FY2006	Approp Act FY2007	Revised GBM FY2007	May Revised FY2007	May FY07 vs. FY07AA \$ Change	May FY07 vs. GBM \$ Change	% Growth FY06 CAFR FY07 May
Major Taxes							
Sales Tax	\$ 6,765,984	\$ 8,483,600	\$ 8,424,968	\$ 8,199,968	\$ (283,632)	\$ (225,000)	21.2%
Sales Energy	87,434	238,000	342,563	417,400	179,400	74,837	377.4%
Corporation Business	2,837,907	2,478,571	2,710,000	2,950,000	471,429	240,000	3.9%
Corporation Energy	169,923	128,500	88,200	66,400	(62,100)	(21,800)	-60.9%
Motor Fuels	550,908	553,000	566,000	564,000	11,000	(2,000)	2.4%
Motor Vehicle Fees	284,084	275,244	295,244	275,274	30	(19,970)	-3.1%
Transfer Inheritance	610,848	600,000	602,000	605,000	5,000	3,000	-1.0%
Insurance Premium	512,044	495,000	488,000	455,000	(40,000)	(33,000)	-11.1%
Cigarette	632,599	215,033	228,058	205,631	(9,402)	(22,427)	-67.5%
Petroleum Products Gross Receipts	224,843	225,000	231,000	230,000	5,000	(1,000)	2.3%
Public Utility Excise	10,931	10,912	10,931	10,931	19	-	0.0%
Corporation Banks and Financial Institutions	153,839	120,000	100,000	140,000	20,000	40,000	-9.0%
Alcoholic Beverage Excise	90,965	94,000	92,000	92,000	(2,000)	-	1.1%
Realty Transfer	459,743	415,000	396,000	404,000	(11,000)	8,000	-12.1%
Savings Institutions	22	-	-	-	-	-	-100.0%
Tobacco Products Wholesale Sales	13,840	16,000	14,000	13,000	(3,000)	(1,000)	-6.1%
Total Major Taxes	\$ 13,405,914	\$ 14,347,860	\$ 14,588,964	\$ 14,628,604	\$ 280,744	\$ 39,640	9.1%
Miscellaneous Taxes, Fees, Revenues							
Assessment on Real Property Greater Than \$1 Million	86,316	113,000	150,000	135,000	22,000	(15,000)	56.4%
Medicaid Uncompensated Care	499,282	349,831	368,888	374,688	24,857	5,800	-25.0%
Good Driver	80,959	77,450	77,450	77,450	-	-	-4.3%
Motor Vehicle Inspection Fund	80,347	78,900	78,900	78,900	-	-	-1.8%
Hotel/Motel Occupancy Tax	78,949	76,000	79,000	79,000	3,000	-	0.1%
Investment Earnings	20,894	-	23,000	48,000	48,000	25,000	129.7%
Public Utility GRFT	82,202	75,000	82,200	82,200	7,200	-	0.0%
TEFA	253,975	250,924	221,660	217,427	(33,497)	(4,233)	-14.4%
Fringe Benefit Recoveries	395,544	446,646	431,900	431,900	(14,746)	-	9.2%
Other Miscellaneous Revenue	1,186,705	1,308,665	1,269,787	1,269,840	(38,825)	53	7.0%
Total Miscellaneous Taxes, Fees, Revenues	\$ 2,765,173	\$ 2,776,416	\$ 2,782,785	\$ 2,794,405	\$ 17,989	\$ 11,620	1.1%
Interfund Transfers							
State Lottery Fund	844,156	846,000	812,700	831,000	(15,000)	18,300	-1.6%
Tobacco Settlement/Securitization	12,482	27,278	14,746	14,746	(12,532)	-	18.1%
All Other Funds	545,892	611,089	624,230	628,318	17,229	4,088	15.1%
Total Interfund Transfers	\$ 1,402,530	\$ 1,484,367	\$ 1,451,676	\$ 1,474,064	\$ (10,303)	\$ 22,388	5.1%
Total State Revenues General Fund	\$ 17,573,617	\$ 18,608,643	\$ 18,823,425	\$ 18,897,073	\$ 288,430	\$ 73,648	7.5%
Property Tax Relief Fund	10,506,565	11,475,000	11,465,000	11,454,000	(21,000)	(11,000)	9.0%
EITC Expansion	-	-	-	-	-	-	-
Casino Control Fund	68,049	72,039	75,684	75,534	3,495	(150)	11.0%
Casino Revenue Fund	502,296	468,087	458,027	455,256	(12,831)	(2,771)	-9.4%
Gubernatorial Election Fund	501	700	700	700	-	-	39.7%
TOTAL STATE REVENUES	\$ 28,651,028	\$ 30,624,469	\$ 30,822,836	\$ 30,882,563	\$ 258,094	\$ 59,727	7.8%

State of New Jersey
Summary of Schedule 1 Revenues
Fiscal 2008
(in thousands) As of May 14, 2007

	GBM Estimate FY2008	May Estimate FY2008	May FY08 vs. GBM \$ Change	% Growth FY07 May vs. FY08 May
Major Taxes				
Sales Tax	\$ 8,778,000	\$ 8,560,000	\$ (218,000)	4.4%
Sales Energy	410,178	420,400	10,222	0.7%
Corporation Business	2,342,000	2,520,000	178,000	-14.6%
Corporation Energy	91,700	103,000	11,300	55.1%
Motor Fuels	580,000	572,000	(8,000)	1.4%
Motor Vehicle Fees	278,444	278,444	-	1.2%
Transfer Inheritance	602,000	608,000	6,000	0.5%
Insurance Premium	503,000	468,000	(35,000)	2.9%
Cigarette	252,039	236,809	(15,230)	15.2%
Petroleum Products Gross Receipts	237,000	233,000	(4,000)	1.3%
Public Utility Excise	10,931	10,931	-	0.0%
Corporation Banks and Financial Institutions	100,000	130,000	30,000	-7.1%
Alcoholic Beverage Excise	94,000	93,000	(1,000)	1.1%
Realty Transfer	380,000	380,000	-	-5.9%
Savings Institutions	-	-	-	
Tobacco Products Wholesale Sales	14,000	13,000	(1,000)	0.0%
Total Major Taxes	\$ 14,673,292	\$ 14,626,584	\$ (46,708)	0.0%
Miscellaneous Taxes, Fees, Revenues				
Assessment on Real Property Greater Than \$1 Million	157,000	140,000	(17,000)	3.7%
Medicaid Uncompensated Care	464,845	488,345	23,500	30.3%
Good Driver	71,950	71,950	-	-7.1%
Motor Vehicle Inspection Fund	77,200	77,200	-	-2.2%
Hotel/Motel Occupancy Tax	79,000	79,000	-	0.0%
Investment Earnings	-	-	-	-100.0%
Public Utility GRFT	82,200	82,200	-	0.0%
TEFA	234,221	232,104	(2,117)	6.8%
Fringe Benefit Recoveries	475,993	431,555	(44,438)	-0.1%
Other Miscellaneous Revenue	1,269,242	1,258,892	(10,350)	-0.9%
Total Miscellaneous Taxes, Fees, Revenues	\$ 2,911,651	\$ 2,861,246	\$ (50,405)	2.4%
Interfund Transfers				
State Lottery Fund	848,000	848,000	-	2.0%
Tobacco Settlement/Securitization	108,619	113,308	4,689	668.4%
All Other Funds	531,675	553,310	21,635	-11.9%
Total Interfund Transfers	\$ 1,488,294	\$ 1,514,618	\$ 26,324	2.8%
Total State Revenues General Fund	\$ 19,073,237	\$ 19,002,448	\$ (70,789)	0.6%
Property Tax Relief Fund	12,415,000	12,351,000	(64,000)	7.8%
EITC Expansion	(64,000)	(36,000)	28,000	
Casino Control Fund	74,039	73,889	(150)	-2.2%
Casino Revenue Fund	453,103	441,728	(11,375)	-3.0%
Gubernatorial Election Fund	700	700	-	0.0%
TOTAL STATE REVENUES	\$ 31,952,079	\$ 31,833,765	\$ (118,314)	3.1%

Treasurer Bradley Abelow
Departmental Testimony
Assembly Budget Committee
May 15, 2007

Good afternoon Mr. Chairman and members of the Assembly Budget Committee.

I am joined today at the table by David Rousseau, Budget and Fiscal Policy Advisor to the Governor, Associate Deputy Treasurer Charles Chianese, Charlene Holzbaaur, the Director of the Office of Management and Budget and Michellene Davis, my chief of staff. Sitting behind us are assistant treasurers Debra Bell, Lopa Kolluri and Pat OConnor.

Also with me are Jeanne Fox, President of the Board of Public Utilities, Linda Kassekert, Chairwoman of the Casino Control Commission and Caren Franzini, CEO of the Economic Development Authority, along with representatives of several other agencies that are in-but-not-of Treasury.

I would like to resume by conveying my thanks to this committee for supporting the multiple missions and operations of the Department of the Treasury.

With your continued support, our department will remain focused on accomplishing its objectives with a commitment to excellence, a passion for transparency and an absolute focus on ensuring that we hold ourselves to the highest ethical standards.

Despite increasing demands on the department from both within and outside of government, we are making do with less. We have fewer employees in our department today than we had a year ago. Last year we had 3,636 employees. Today we have 3,575. That reduction has forced people to work harder and smarter and our employees have responded to this challenge with professionalism and commitment.

Treasury supports many different constituencies. We might accurately be described as the supermarket of state government because of the breadth of services under one umbrella.

For the public, Treasury means interfacing with the Division of Taxation for taxes, rebates and refunds. For the business community, Treasury is a gateway where companies register to do business. For others still, Treasury's face is a Mega Millions lottery ticket. If you are a public employee, your experience with Treasury will be through the Division of Pensions and Benefits, which is entrusted with administering retirement and health benefits for hundreds of thousands of workers and retirees. Equally important to Treasury's public face are the support service functions we perform for our sister State agencies. We provide a wide range of services such as bond financing,

property management, procurement, fiscal management and energy conservation. We're many things to many customers. We're endeavoring to be the best agency we can be, and we're backing up this commitment through adoption of best practices.

As treasurer, I have spent much of my first year engaged in an internal assessment of the needs of our department in order to make sure we have the right people in the right places and that we are performing our functions at an optimal level where we appropriately balance our objectives of control and cost. This internal assessment also has helped to better position Treasury in its central role within state government.

In order to meet our objective of continual improvement, we have further strengthened our organization through a selective infusion of professionals who bring added leadership.

Recognizing how important procurement and property management are to making government more efficient, we are pleased that Debra Bell has joined us as Assistant Treasurer overseeing these areas. Debra brings a wealth of experience from her previous work in procurement and real estate management at Merck and Hewlett Packard and as the global head of these functions for AT&T. We are confident that her professional's perspective will help Debra drive performance improvement in these critical areas.

Our Division of Property Management and Construction has been focused on reducing the number of facilities we lease for state government functions. Nine leases have been eliminated in the FY 2008 budget, which will result in a savings of \$1.8 million.

In addition, the Division has embarked on a more comprehensive portfolio planning approach to assure space is fully utilized and surplus space is identified for optimization and/or disposition. In FY 2007, space audits have allowed us to use vacant space to accommodate five new or enhanced programs. This increasingly aggressive approach to utilizing vacant space has allowed us to avoid \$1.7 million in costs. We appreciate the leadership shown by Assemblyman Cryan and Senator Sweeney in this area. We look forward to continuing to improve our real estate planning activities since we recognize that there is much work to do in this area.

Moving forward, a master planning framework is being developed to assure that space-related decisions are made in the most cost-effective way, taking into account all available opportunities to consolidate space and/or identify other cost-optimization solutions, including those associated with lease renewals, relocations, new construction or redesigns and related investment decisions. We also look forward to creating a plan to streamline and shorten the process for the state to dispose of surplus property.

Our Division of Purchase and Property is taking a more strategic view of our purchasing and contracting processes. There are three primary areas of focus that we are addressing as we move into FY 2008. Those areas include: process simplification; business information and reporting and strategic sourcing.

In the area of business simplification, the Division will be identifying streamlined ways to conduct business aimed at reducing cycle time and complexity in the process. These efforts will be enabled through automation and by driving efficiency through new approaches and processes. Several tools are being developed and deployed to help support business simplification objectives. These include electronic bid and proposal tools, eCatalogs, utilization of reverse auction processes, leveraging cooperative purchasing arrangements, and development of a data warehouse.

We will continue to work cooperatively within and outside of government with groups such as the South Jersey Chamber of Commerce as we continue to explore new and better practices in the procurement area. We are particularly grateful to the Chamber for the support they have offered us over this past year.

In the area of business information and reporting, plans are underway to analyze spending data across the State in order to assure that business intelligence is available for strategy setting and decision-making when sourcing and contracting programs are being developed.

In the area of strategic sourcing, we will look to leverage procurement spending to insure we buy the highest quality products at the lowest price. Our success in this initiative will, in turn, depend on our having better management information at our disposal.

Importantly there will be a continuing focus in supporting supplier diversity and in ensuring that all Purchase and Property activities are performed with the highest levels of professionalism and integrity.

Last year, Governor Corzine's Executive Order 11 created the Office of Energy Savings in Treasury to help reduce State government's consumption of energy and improve our environment. I'm pleased to say that under the leadership of Director John Rhodes the office already has paid for itself several times over in terms of reduced costs.

Earlier this month, the Office of Energy Savings conducted the first ever reverse energy auction for the New Jersey Consolidated Energy Program. Through this reverse auction, New Jersey was successful in securing lower net rates for electricity than those currently in effect, which will result in an estimated \$2 million in savings over the three-year life of the contract. The office has worked with DPMC to implement off-peak lighting restrictions in State offices located in the city of Trenton that will result in a reduction of more than 3.5 million kilowatt hours per year and generate fiscal 2008 savings of \$385,000.

This step has a positive environmental impact in terms of greenhouse gas reduction. By reducing the electricity we consume, we also reduce New Jersey's carbon footprint. So far, the environmental impact from this initiative is equivalent to planting 441 acres of trees or removing 328 cars from the road.

In July, as a result of legislation that you passed and Governor Corzine signed into law, we will establish a Division of Risk Management to help lower New Jersey State government's Workers Compensation Fund costs and create a safer workplace for State employees. This new division will work to help keep our Workers Compensation claims in check. The establishment of this Division represents a culmination of efforts on our part over the last several years.

A 2005 report looking at rapidly increasing Workers Compensation cases identified areas of improvement for what we used to call the Bureau of Risk Management.

A brief look at history is instructive. After the report was issued, the Division of Administration was asked to step in and review the Bureau. The division did a comprehensive review of the overall Risk Management program and assisted the bureau in gradually implementing changes such as increasing the number of field investigators to keep up with caseloads and adding two deputy attorneys general in order to settle more cases. These changes and others led to a 9 percent decrease in the number of Workers Compensation cases filed in FY 2006 from the prior year. That trend is continuing in FY 2007. Risk management means more than just dealing with Workers Compensation claims. The Bureau has created a "First Response" team of trained Treasury staff to respond quickly to notifications of potential damage of state property. The Bureau also has been able to reduce our property premiums by \$150,000 by taking a hard look at total insured value.

The Division of Administration has continued its leadership role in delivering support services with a focus on excellence and an eye on economy.

Under Director Chuck Chianese, the Division has begun the consolidation of mail metering operations previously performed by other State agencies into the Capitol Post Office. The start of this consolidation was timed to avoid the need to upgrade individual state-agency owned and operated, low-use mail metering equipment. The consolidation not only saves on equipment costs and maintenance costs, it also affords opportunities to leverage our mailing volume to obtain the lowest possible postal rates.

The division is also providing administrative support services to the Department of Public Advocate, eliminating the need for that department to spend additional taxpayer dollars to set up its own administrative functions.

As I mentioned in my testimony in March, we have reduced the amount of money state agencies spend on new furniture through consolidating the collection of used furniture from throughout state government and then redistributing it to agencies and departments that need it.

We have taken similar steps when it comes to computers. In partnership with the Office of Information Technology, DPMC is refurbishing and redistributing used

computers. All State departments seeking to order new computers now are referred first to DPMC to see if their needs can be satisfied from this inventory of used computers.

Our Division of Revenue, under the leadership of new Director Jim Fruscione, reached a new milestone this tax season by processing more than 2.2 million tax returns either filed electronically.

Through this significant achievement and other streamlining initiatives, by the end of FY 2007, the Division will have reduced its operating costs by nearly \$3 million since FY 2005. By migrating from labor-intensive, paper-based systems to electronic formats, the Division has been able to reduce expenditures for seasonal staffing, overtime and contract services.

The Division of Revenue worked successfully with the Governor's Action Committee for the Economy on launching the State's new Internet-based Business Portal, a one-stop online center for comprehensive business information. More than 40 percent of all new businesses now use this streamlined filing service.

The Division is building on the Business Portal by implementing online accounts that allow businesses to interact directly with multiple State government agencies within a single, secure online session.

The Division of Lottery had a record-setting year in FY 2006. For the fifth consecutive year Lottery surpassed the \$2 billion level in gross revenues. More than \$844 million was contributed to the State treasury. Our over 6,100 retail agents, the majority of whom are small business owners, earned nearly \$134 million in commissions further contributing to the New Jersey economy.

Treasury's Office of Public Finance has worked diligently on several fronts to manage New Jersey's debt and cash flow position. In January of this year the office, under the direction of Nancy Feldman, successfully executed a \$3.6 billion refunding of the outstanding Tobacco Settlement Financing Corporation Bonds. This resulted in a return of approximately \$50 million tobacco settlement revenues to the General Fund on a recurring basis. I can also report that the \$600 million in bond issuance in FY 2007 represents the smallest increase in net debt for any fiscal year in at least the last seven years.

The Office is also spearheading the Governor's Asset Monetization study and maintains a strong working relationship with the bond rating agencies so that investors are kept up to date on the state's financial picture.

At the Division of Investment, led by William Clark, we continue to focus on policies and strategies for strengthening New Jersey's investment portfolio. Two years ago, the portfolio began a gradual diversification of funds into alternative classes of investments. We believe that continued improvement of investment performance is one of the crucial components to addressing the unfunded liability in our pension system.

I am pleased to report that the estimated performance for fiscal year-to-date was 15.92 percent. That compares to 12.2 percent for the same period in 2006.

As you know, my office and the Division of Taxation have worked diligently this year to implement the revamped Homestead Rebate program that you passed and Governor Corzine signed into law.

The administration's desire from the very beginning has been to provide a direct credit on property tax bills for non-senior and non-disabled homeowners.

We have been working closely with the banking and mortgage lending industries, as well as municipalities, who are tasked by law with putting together and distributing property tax bills, to accomplish that goal, but I must report to you today that there remain unresolved issues and as a result we will be sending out rebate checks to those who apply for the program. We will continue to work to transform this program into a credit program in future years.

The Division of Taxation, led by Acting Director Maureen Adams, has had an active year implementing new technology to allow the division to accomplish more with less.

The division has been vigilant in its enforcement of tax laws and has seen its work pay off this year with a number of significant arrests or convictions of people charged with tax fraud or tax evasion. Taxation's Unclaimed Property Office returned a record \$74 million in unclaimed property to its rightful owners or their heirs in FY 2006 and expects to break that record this year.

Additionally, the Division in conjunction with the Attorney General's Office and the Division of Criminal Justice has begun an initiative to develop and identify areas of non-compliance as it relates to Sales Tax. The joint effort, which is intended to develop viable criminal Sale Tax cases through a working partnership, was developed at the request of Attorney General Rabner. Just in the early stages the initiative has identified 15 cases that will be assigned to Taxation Office of Criminal Investigation personnel to conduct an examination of the books and records. These cases will be completed with the full support of the Division of Criminal Justice. We hope that this initiative will serve as a deterrent to sales tax avoidance and non-compliance.

In order to support the Governor's economic growth objectives and the mission of the Office of Economic Growth our new Assistant Treasurer for Economic Development, Lopa Kolluri, is working to encourage and facilitate revitalization and business development efforts in our urban centers.

I am pleased with the team we have assembled in the Department of Treasury. I am extremely proud to work with so many dedicated people who perform their jobs every day with the utmost in professionalism and commitment to the people of New Jersey who

we serve and want to extend my thanks and gratitude to all of them. They truly make it much easier for me to do my job.