Discussion Points

Division of Taxation

1. In January 2022, the Division of Taxation awarded a contract to Revenue Solutions, Inc. for the **Tax Systems Modernization Project**. This undertaking will result in the replacement of the division's separate tax administration and collection systems, which date back to the mid-1980's, with a more versatile, integrated system. The department initially estimated that the project would cost $64.0 million over five years. In response to an FY 2024 OLS Discussion Point, the department noted that the project would be completed within budget over a six-year period.

- ***Questions:*** **Please provide an update on the implementation of the Tax Systems Modernization Project. Does the department still anticipate that the project will be completed within budget and the six-year period envisioned in April 2023? If not, please provide an updated budget and timeline for the project.**

  The Division of Taxation continues to work with the contracted vendor, Revenue Solutions Inc., on the development and configuration of the first phase of the project, expected to be completed in early 2025. Taxation anticipates the project will be completed within budget and 5 years from the 2023 start date, while working through changes in technology and resources. To date, $25 million has been expended on the project.

2. Established by the FY 2023 Appropriations Act, the **Affordable New Jersey Communities for Homeowners and Renters** (**ANCHOR**) Property Tax Relief Program provides rebates of up to $1,500 to eligible homeowners and rebates of $450 to eligible tenants. To qualify for the program, residents must have owned and occupied their principal residence as of October 1, 2020. In FY 2024, homeowners that are 64 years old or younger with a tax year 2020 gross income not in excess of $150,000 were eligible for a benefit of $1,500; homeowners that are 64 years old or younger with a tax year 2020 gross income in excess of $150,000, but not in excess of $250,000, were eligible for a benefit of $1,000; and homeowners with tax year 2020 gross income in excess of $250,000 were excluded from the program. Homeowners that are 65 years old or older with a tax year 2020 gross income not in excess of $150,000 were eligible for a benefit of $1,750; homeowners that are 65 years old or older with a tax year 2020 gross income in excess of $150,000, but not in excess of $250,000, were eligible for a benefit of $1,250; and homeowners with tax year 2020 gross income in excess of $250,000 were excluded from the program.

Tenants that were 65 years old or older with a tax year 2020 gross income not in excess of $150,000 were eligible for a benefit of $450, while tenants with a tax year 2020 gross income in excess of $150,000 were excluded from the program. Tenants that were 64 years old or younger in 2020 with a tax year 2020 gross income not in excess of $150,000 were eligible for a benefit of $700, while tenants with a tax year 2020 gross income in excess of $150,000 were excluded from the program. Tenants were required to have their names on their leases or

Discussion Points (Cont'd)

rental agreements and required to have paid rent on a residence that was occupied as a principal residence on October 1, 2020.

In response to an FY 2024 Discussion Point, the department indicated that roughly 1.5 million homeowners and tenants received an ANCHOR benefit in FY 2023. However, of this total, the department indicated that "approximately 200,000 accounts are under review for data perfection or validation or were identified as fraudulent applications."

- ***Questions:*** **For the FY 2024 ANCHOR Property Tax Relief distributions, please provide the following data for the senior and non-senior homeowner and tenant populations, respectively: (1) distribution of rebates by income brackets; and (2) distribution of rebates by rebate amounts. Please provide an estimate of the cost of operating the program. What proportion of program participants elected to receive their ANCHOR benefit as a direct deposit or a rebate check, respectively? What strategies does the Executive intend to utilize in order to encourage more tenants to participate in the ANCHOR Property Tax Relief Program?**

  See below for the breakdown of the income bracket distributions and rebate amount distributions. The cost of administering the ANCHOR program is approximately $31 million. Overall, 63% of participants elected to receive the ANCHOR rebate as a direct deposit (60% of homeowners and 68% of renters) and 37% of participants elected to receive the ANCHOR rebate as a paper check (40% of homeowners and 32% of renters). In an effort to promote the 2020 ANCHOR program and increase participation, an advertising campaign was completed as well as the Division of Taxation increasing its dedicated resources and staffing for the ANCHOR program to provide additional support and resources to the public, generating a 37% increase in the number of renters who received an ANCHOR rebate in FY 2024 when compared to FY 2023. The Division of Taxation also implemented an automated filing method for taxpayers who had previously filed for the 2019 ANCHOR program, where the agency automatically filed the returns based on prior filing information and characteristics that continued to meet the 2020 program eligibility requirements.

Distribution by income brackets

Homeowner

	Total	25,000 or less	25,000.01 - 50,000	50,000.01 - 75,000	75,000.01 - 100,000	100,000.01 - 125,000	125,000.01 - 150,000	150,000.01 - 175,000	175,000.01 - 200,000	200,000.01 - 225,000	225,000.01 - 250,000
Total	1,257,211	419,487	112,247	128,255	121,860	135,582	110,142	85,987	65,029	47,022	31,600

Discussion Points (Cont'd)

65 or disabled	513,579	335,331	38,521	27,667	16,635	34,990	23,332	15,265	10,308	6,999	4,531
not 65 or disabled	743,632	84,156	73,726	100,588	105,225	100,592	86,810	70,722	54,721	40,023	27,069

Tenant

	Total	15,000 or less	15,000.01 - 30,000	30,000.01 - 45,000	45,000.01 - 60,000	60,000.01 - 75,000	75,000.01 - 100,000	100,000.01 - 125,000	125,000.01 - 150,000
Total	602,434	219,973	84,725	92,423	69,185	48,860	48,802	25,577	12,889
65 or disabled	101,418	75,780	8,807	6,151	3,915	2,421	2,021	1,618	705
not 65 or disabled	501,016	144,193	75,918	86,272	65,270	46,439	46,781	23,959	12,184

Distribution by rebate amount

	Total	0.01-100.00	100.01-200.00	200.01-300.00	300.01-400.00	400.01-500.00	500.01-600.00	600.01-700.00	400.01-750.00
Total	602,434	82	1	7,537	923	510,939	3	53,900	29,049
65 or disabled	101,418	82	0	249	923	17,217	0	53,898	29,049
not 65 or disabled	501,016	0	1	7,288	0	493,722	3	2	0

- **Please provide an update regarding how many of the 200,000 accounts that were under review were identified as fraudulent applications in FY 2023. How many applications are under review for data perfection or validation or were identified as fraudulent applications in FY 2024? What actions has the department taken to address the issue of fraudulent applications?**

  Of the 200,000 accounts in question, the Division of Taxation perfected, and approved a rebate for, any taxpayer where it could be identified as a valid recipient; those remaining are considered fraudulent filings and not paid. As part of the 2020 ANCHOR program, over 900,000 fraudulent returns were received during the FY 2024 period, which was a significant increase from the FY 2023 ANCHOR program. The Division of Taxation is working on procuring

Discussion Points (Cont'd)

a vendor to partner with to assist with identity verification and improve efficiency in anti-fraud protection programs.

3. Colloquially known as the **"Senior and Disabled Citizens' Property Tax Freeze," or "Senior Freeze" Program,** the **Homestead Property Tax Reimbursement Program** is designed to provide eligible claimants with a reimbursement for the difference between the total amount of property taxes paid in a claimant's initial year of eligibility and the current year. The FY 2025 Governor's Budget recommends $188.1 million for the program, an increase of $6.3 million from the FY 2024 adjusted appropriation of $181.8 million.

As part of the Stay NJ Act, enacted in June 2023, the State modified certain eligibility requirements for the Senior Freeze Program. Specifically, the law increased the income eligibility requirements under the Senior Freeze Program to $150,000 per year beginning in tax year 2022, and subjected this income threshold to an annual increase based on the maximum Social Security benefit cost of living increase for that year. Additionally, the law reduced the 10-year waiting period for eligibility to only three years of home ownership of the property for which a reimbursement is sought. According to the FY 2025 Budget in Brief, the Executive estimates that this expansion of the Senior Freeze property tax relief program would allow over 58,000 additional taxpayers to freeze their tax bills.

In response to an FY 2024 OLS Discussion Point, the Department of the Treasury stated that the expansion of the Senior Freeze program was estimated to cost an additional $13.0 million in FY 2025 after the new participants establish their base year. The department's Office of Revenue and Economic Analysis projected that the expansion of the income limit alone would increase participation by more than 43,000 households in FY 2025, while the change to the residency requirement would increase participation by over 12,000 households.

The FY 2023 Appropriations Act included budget language authorizing up to $1.0 million from the amount appropriated for the Senior Freeze Program to be used for costs associated with automating the application process. This initiative was intended to improve the ability of State and local officials to verify that homestead property tax reimbursement claimants meet the program's eligibility requirements. In response to an FY 2024 OLS Discussion Point, the department provided an update on the automation process, stating that it anticipated enhancing the online system to include automated links with municipalities for real-time verification of local property tax payments. The department estimated the cost of this enhancement to be $500,000.

- ***Questions:*** **What is the current projected additional State cost of the expansion of the Senior Freeze program under the Stay NJ Act in FY 2025 and beyond? How does this compare to the $13.0 million estimate provided in response to the FY 2024 OLS Discussion Points?**

Discussion Points (Cont'd)

The Division anticipates 58,000 individuals would be eligible for the program with the proposed expansion. This expansion is estimated to cost an additional $13 million. The estimated cost was based on historical Property Tax Reimbursement data and income tax data.

- **Please provide an update on the status of the Senior Freeze application automation process. Have the anticipated enhancements, including automated links with municipalities for real-time verification of local property tax payments, been implemented? If not, what is the current timeline for completing these enhancements? Has the estimated cost of $500,000 for this enhancement changed? If so, please explain.**

  The Divisions of Taxation and Revenue and Enterprise Services have not enhanced the online system to include automated links with municipalities that enable real time verification of local property tax payments. Discussions to define the full scope of the enhancement and the associated development costs continue. The agencies anticipate the expansion initiative will take significant time to complete and estimate the cost range of $500,000 has not changed.

4. P.L.2023, c.75 establishes the STAY NJ property tax relief credit program to provide property tax credits to eligible homeowners beginning in 2026. The law requires the Department of the Treasury to create a single application for both the STAY NJ program, the Senior Freeze program, and the ANCHOR program. The department is also required to develop a process to determine for each eligible taxpayer whether the person would receive a greater benefit under STAY NJ or under both the Senior Freeze program and ANCHOR program.

Additionally, the law establishes the STAY NJ Task Force in the department to develop recommendations for establishing and funding uniform property tax relief to all senior citizen homeowners and tenants making under $500,000. By no later than May 30, 2024, the task force is required to present a report to the Governor and the Legislature containing recommendations about how to restructure and consolidate the various property tax relief programs into one, streamlined, property tax relief program.

- ***Questions:*** **Please provide an update on the Department of the Treasury's progress in implementing the provisions of the STAY NJ program required by P.L.2023, c.75. What steps has the department taken to develop the single application for the STAY NJ, Senior Freeze, and ANCHOR programs? What is the department's timeline for completing this work? What actions has the department taken to develop the process to determine whether taxpayers would receive a greater benefit under STAY NJ or under the Senior Freeze and ANCHOR programs? Will additional staff be required to handle the ongoing administration of the STAY NJ program and the coordination with other**

Discussion Points (Cont'd)

programs? If so, how many additional positions does the department estimate will be needed?

Pursuant to the enactment of P.L. 2023, c.75, the STAY NJ task force was formed, and has conducted regular meetings and issued monthly reports on the facts, findings, and is in the process of crafting their final report. The Department continues to follow the progress of the Task Force and support their needs. Based on the requirements of c.75, the Department began development of a single comprehensive application. A final application and identification of necessary resources will be determined once a final report is issued. At this time, the Department expects to need approximately 50 additional staff to administer the STAY NJ program on top of the current property tax relief programs.

- **Please provide an update on the work and progress of the STAY NJ Task Force. How many meetings has the task force held to date and what key issues have been discussed? Is the task force on track to complete its report by the May 30, 2024 deadline? Has the task force identified any particular challenges or areas of concern regarding the implementation of the STAY NJ program that will require further attention from the Department of the Treasury or the Legislature? If so, please explain. Has the task force identified any particular challenges related to the potential consolidation of all existing property tax relief programs into one program? If so, please explain.**

The Stay NJ Task Force held five public meetings as of April 30, 2024. The minutes of each meeting, as well as quarterly activity reports and public testimony can be found at https://www.nj.gov/treasury/staynj/.

The Department of the Treasury and the Department of Community Affairs identified several issues that made the implementation of c.75 very difficult. With the goal of simplifying the application and making the overall process easy for seniors, the Task Force focused on disparities across the three programs. At its meeting on April 9, 2024, the Task Force addressed the inconsistencies related to income definition, benefit year, age, and residency as well as the timing of the application process. It is expected that the final report will contain recommendations consistent with the motion adopted at the meeting. Details of the motion can be found in the meeting minutes on the Stay NJ website referenced above. The Task Force is on track to complete its final report by May 30, 2024.

Division of Investment

5. Each year the State Investment Council adopts within a regulatory framework an **asset allocation plan** that sets targets for the percentage of the portfolio that should be invested in specific asset classes. As of December 31, 2023, New Jersey's investments are allocated into five broad categories: Global Growth (55.6 percent), Income (17.3 percent), Defensive (17.2

Discussion Points (Cont'd)

percent), Real Return (7.9 percent), and the Police and Firemen's Retirement System Mortgage Program and Other (2.0 percent).

In FY 2023, the Division of Investment's pension fund investments posted a 9.1 percent return, net of fees, outperforming both its benchmark and assumed rate of return. According to the New Jersey Division of Investment's December 2023 Investment Reporting Package, the State's pension fund investments posted a 4.4 percent return, net of fees, through the first six months of FY 2024 (July 1, 2023 –December 31, 2023).

In response to an FY 2024 OLS Discussion Point, the department noted that the division was in the process of conducting an asset allocation review and that multiple potential changes were presented to the State Investment Council at the April 26, 2023 meeting.

- ***Questions:*** **What allocation adjustments made by the division in FY 2023 have affected the rate of return in FY 2024? To what extent, if any, has the current market affected the implementation of any changes to the asset allocation plan? Does the Division of Investment intend to revise the asset allocation plan for FY 2025? If so, please highlight any changes from the current plan and explain the rationale for the changes.**

  The preliminary and unaudited performance of the pension fund portfolio as of March 31, 2024 is +8.8%. Recent changes to asset allocation targets approved by the State Investment Council increased target allocations to domestic equity, international developed equity, and high-yield fixed income. During FY 2024, allocations to each of these asset classes were increased and these steps have added value towards performance so far this fiscal year. Given the long-term characteristic of asset allocation targets, current market conditions do not necessarily affect the implementation of the asset allocation plan. While the pension fund's asset allocation is closely monitored on a regular basis, a revision to the target allocation is not necessary every year. Currently there are no plans for changes to the asset allocation plan in place today, as it was revised recently.

6. The Division of Investment administers the **State of New Jersey Cash Management Fund**. The fund is the local government investment pool utilized by the pension funds, the State, and various local government units (e.g., municipalities, school districts, and local authorities) for their cash management needs. The fund invests primarily in U.S. Treasury and Agency obligations, highly-rated commercial paper and short-term corporate obligations, other highly-rated government debt, and certificates of deposit. The fund's FY 2023 financial statements show that its assets have grown by over 110 percent, from $18.48 billion on June 30, 2020 to $38.98 billion on June 30, 2023. In response to an FY 2024 OLS Discussion Point, the department noted that the division allocates administrative costs based on the relative proportion of assets managed. Therefore, the increase in costs allocated to the Cash Management Fund is directly related to increases in the fund's balances.

Discussion Points (Cont'd)

- ***Questions:*** **What specific factors spurred the 110 percent increase in the Cash Management Fund's assets? What were the actual administrative costs, including the cost of managing the Cash Management Fund, during FY 2023 and FY 2024? What are the projected administrative costs for FY 2025, including the cost of managing the fund? How much of an increase in administrative costs does the department attribute specifically to the growth of the Cash Management Fund? Does the Department anticipate any additional costs not covered by current State appropriations?**

  The CMF balances have consistently grown since the middle of FY 2020 The COVID payments made by the federal government were a factor causing the increase in the CMF assets. In addition the CMF balances have benefited from the higher rate on offer as a result of the increase in the Federal Funds rate.

  Please note that the CMF balance sheet administrative expenses is not a reflection of the annual cost of managing CMF. DOI calculated costs to manage and administer CMF in FY 2023 were $4.47 million, up from $3.6 million in FY 2022 and $2.9 million in FY 2021. The calculated costs to administer and manage CMF in FY 2024 have not been fully determined as of yet, but the rough calculation though the first two quarters of the fiscal year have the costs running in approximately the same range as FY 2023.

  The projected administrative and management costs of CMF for FY 2025 are difficult to estimate at this time. There are a number of variables involved, the main one being the percent of the CMF fair market balances relative to the total pension assets. This percent is difficult to estimate, as evidenced by the fact that the CMF balances have grown from approximately $16 billion on average to approximately $39 billion on average.

  All of the increases in administrative costs and management costs are related to the increase in the CMF assets relative to the total pension assets under management by DOI. DOI would like to note that the cost to manage CMF will continue to be offset by the administrative fee received by the General Fund. All Non-State participants in CMF pay a 5 basis point administrative fee.

  DOI does not anticipate any additional expenses at this time that are not covered by State appropriations.

7. The New Jersey Secure Choice Savings Program Act established the **New Jersey Secure Choice Savings Program** in, but not of, the Department of the Treasury. The act requires employers with 25 or more employees to participate in a retirement savings program administered through automatic payroll deductions, allowing employees of small businesses to save for retirement. The FY 2025 Budget in Brief indicates that the Secure Choice Savings Program will be named "RetireReady NJ" and will launch in 2024.

Discussion Points (Cont'd)

The FY 2024 Appropriations Act provided $2.0 million for the New Jersey Secure Choice Savings Program. These funds support administrative services provided by the department and payments for legal services provided by the Division of Law. About $716,000 from the FY 2024 allocation remains uncommitted and $1.1 million remains unexpended as of April 17, 2024. The FY 2025 Governor's Budget includes a General Fund appropriation of $3.5 million to the Division of Investment for the program. The Executive also proposes budget language authorizing the appropriation of unlimited, unspecified amounts to support program implementation costs.

In response to an FY 2024 OLS Discussion Point, the department noted that it anticipated that the enrollments would commence before or during the fourth quarter of FY 2024 and that it will eventually become self-sustaining through the collection of administrative fees as required by the Secure Choice Savings Program Act.

- ***Questions:*** **Please provide an update regarding the implementation of the program. Has the program been implemented? If so, how many employers have enrolled in the program? If not, when does the department anticipate the program will be implemented? What accounts for the recommended increase in funding in FY 2025? How will the additional program funding be utilized in FY 2025? What additional program expenses that may not be covered by the direct appropriation does the department anticipate may be incurred in FY 2025? Please provide a detailed description of the contours of the RetireReady NJ program. What will be the key features and benefits of the program for participating employees and employers? How will the program be structured, and what investment options will be available to participants?**

  The New Jersey Secure Choice Savings Program is in but not of (IBNO) Treasury and per statute is independent of Treasury. All answers below were provided by the Program Executive Director.

  In the past year, the RetireReady NJ Program (the "Program") has hired an Assistant Divisional Director, a Chief of Staff, a Regulatory Officer and a Marketing Analyst, and continues to build its staff. Currently, there are two Program Specialist openings posted. The Program has engaged a Program Administrator (which also serves as the Program's Record Keeper and Trustee); Marketing Consultant; Investment Advisor; and Special Tax Counsel. The Program has recently issued an RFQ for an independent auditor.

  The Program has launched an extensive marketing campaign and established its media presence to engage the residents and employers in New Jersey and create awareness of the expected Program launch.

  Further, the Program has worked with its vendors and internal staff to establish the infrastructure necessary to launch the Program during FY 2024.

Discussion Points (Cont'd)

The pilot launch is scheduled for May, and the full Program launch is anticipated this summer.

The recommended increase will fund the necessary, continued growth in Program staff and the activation and continued payment of service providers required to fully implement the Program.

These services include the record keeping, trusteeship, and investment of the Program assets, the servicing of Program participants and beneficiaries post-launch, and engagement with covered employers.

The Program's recommended FY 2025 budget includes all expenses known at this time. When implementing a new Program, there may be unanticipated expenses, such as those related to the performance of vendor contracts, operations, or changes to governing laws. These expenses cannot be forecasted at this time.

RetireReady NJ is an auto-IRA program, covering private employers that do business in New Jersey with 25 or more employees, and do not offer their employees a private retirement plan.

These covered employers will be required to register with RetireReady NJ, and provide their employees' information. The Program will facilitate the auto-enrollment process for employees of the covered employers. This process includes assigning default investment elections (3% deferral into a Roth IRA), or accepting the employees' customized enrollment elections.

At the end of the enrollment period, the employers will be contacted by RetireReady NJ and provided the deduction information for the participating employees. Once the employers receive these elections, they will be required to work with their respective payroll service to deduct the employees' contributions from the after-tax payroll and remit these amounts to RetireReady NJ.

The greatest benefit of the Program is the elimination of the savers gap that presently exists in New Jersey, by offering an automated, low-cost and portable retirement savings vehicle to the 46% or 1.6 million New Jerseyans who currently do not have access to a retirement savings plan through their employer.

The Program also supports the business owners of New Jersey by providing them with the ability to offer a retirement savings vehicle to employees, thus allowing these employers to attract and retain staff.

The Program is structured as an auto-IRA program that will default the employees of covered employers into a Roth retirement savings account with a 3% deferral rate. The default investment elections will allocate the employees' contributions into a Target Retirement Date Fund (offered by Vanguard) based on the employees' date of birth. Alternatively, the employees can customize their deferral rates and investment elections. For those employees who choose to customize their investment elections, the Program offers the following investment choices in addition to the Vanguard Target Retirement Date Fund:

Discussion Points (Cont'd)

Capital Preservation Fund: Vanguard Treasury Money Market Fund
Large Cap Fund: Fidelity 500 Index Fund
Mid Cap Fund: Fidelity Mid Cap Index Fund
Small Cap Core Fund: Fidelity Small Cap Index Fund
Small Cap Value Fund: Wasatch Small Cap Value Fund
International Equity Fund: Fidelity Global ex U.S. Index Fund
Fixed Income Fund: Baird Core Plus Bond Fund

Office of the State Comptroller

8. Executive Order No. 166 (2020) assigned to the **Office of the State Comptroller (OSC)** various responsibilities related to the review and oversight of the State's administration of COVID-19 recovery programs. The OSC has established the COVID-19 Compliance and Oversight Project to ensure proper oversight and accountability for COVID-19 funds expended by the State and local governments. This project includes ongoing monitoring of recovery programs, training accountability officers, overseeing integrity monitors, and collaborating with the COVID-19 Compliance and Oversight Taskforce and the Governor's Disaster Recovery Office. The OSC has previously indicated that six full-time employees have been allocated to the project.

The OSC is required to review potential procurements for COVID-19 programs submitted by State agencies and authorities and determine within ten days whether the procurement process complies with applicable public contracting laws, rules, and regulations and if they are not compliant, to inform the participants and the Governor's Disaster Recovery Office of necessary changes to be legally compliant.

In response to an FY 2024 OLS Discussion Point, the OSC noted that in FY 2021, the OSC received 700 contracts in total, including 156 contracts that were COVID-19 related and valued at $716.8 million. Similarly, for FY 2022, at the time OSC reported these numbers (as of April 21, 2022), the OSC had received 547 contracts in total, including 97 contracts that were COVID-19 related and valued at $959.3 million. For the period of July 1, 2022 through May 3, 2023, the OSC also received a total of 708 contracts, including 125 contracts that were COVID-19 related and valued at $541.8 million.

- ***Questions:*** **Please provide an update regarding the OSC's review of COVID-19 procurements. How many procurements have required corrective action by the OSC? Has the number of procurements requiring corrective action declined as State agencies and authorities become more familiar with State and federal contracting requirements? What are the most common reasons for why corrective actions were required? What is the total value of COVID-19 related contracts reviewed by the OSC? Has the OSC's ongoing review of COVID-19 procurements indicated whether there is a broader need across State**

Discussion Points (Cont'd)

government for additional training regarding public contracting laws, regulations, and processes?

The Office of the State Comptroller is in but not of (IBNO) Treasury and per statute is independent of Treasury. All answers were provided by the Comptroller's office.

Contract Review Threshold	FY 2021	FY 2022	FY 2023	FY 2024 as of 4/26/24
$12.5 million or more	140	155	190	185
EO 125/Sandy Recovery	40	53	29	18
EO 166/COVID-19 Recovery	156	114	145	86
$2.5 to $12.5 million	364	376	514	400
Total Contracts	**700**	**698**	**878**	**689**
Value of COVID-19 contracts	**$677,416,526**	**$1,170,187,853**	**$601,045,337**	**$99,348,029**
Total value of COVID-19 Contracts	$2,547,997,745			

	Total COVID-19 Contracts	COVID-19 Contracts that Required Corrective Action	Percentage
FY 2021	156 (1 duplicate/13 withdrawn)	67	47%
FY 2022	114 (2 duplicate/5 withdrawn)	64	60%
FY 2023	145 (9 withdrawn)	73	54%
FY 2024 as of 4/26/24	86 (1 duplicate/5 withdrawn, 8 pending)	27	38%

The data reported above reflects OSC contract reviews from July 1, 2020 through April 26, 2024, by fiscal year. OSC receives on average 2 to 3 contract submissions per day. Both COVID-19 (E.O. 166) and Sandy (E.O. 125) contracts are given the highest priority for purposes of review. Contracts valued at $12.5 million are reviewed within 30 days of submission, while contracts valued at $2.5 million or more, but less than $12.5 million, are reviewed under a less stringent period. At any given time, there are over 100 contract reviews pending requiring different levels of priority and extending over more than one fiscal year reporting period. In addition, contract values are estimated by contracting units for pre-advertisement reviews and later adjusted to reflect the actual contract award as reported to OSC. Therefore, until contract reviews for a particular fiscal year are complete, the above statistics for any given fiscal year may fluctuate.

The percentage of contracts that required corrective action has fluctuated, but now appears to be decreasing. Increased familiarity with State and federal contracting requirements is a factor for this decrease. In addition, as the immediate need for goods and services has abated,

Discussion Points (Cont'd)

procurement professionals are able to dedicate more time and resources to each procurement, thus reducing the need for corrective action.

The most common reasons are:

- Vague or undefined scope of work/deliverables
- Providing OSC with all required approvals for waivers of advertising
- Providing OSC with all required approvals for sole source contracts
- Correcting when statutorily required certifications are due from bidders, such as the Business Registration Certificate, Public Works Contractor Registration Certificate, disclosure regarding investment activities in Iran and Certification re non-involvement in Prohibited Activities in Russia/Belarus.
- Revising bid documents to reflect changes in law.

Regular training for procurement professionals is beneficial and necessary. As legal requirements change or new procurement laws are enacted, bid templates must be updated and internal processes adapted. OSC regularly provides guidance regarding such changes during individual contract reviews and through more formal trainings.

9. On March 3, 2022, the OSC announced the launch of the **Police Accountability Project** to review State and local law enforcement agencies. The OSC intends to examine issues that may subject the State to civil liability when police encounters result in civil rights violations. According to the OSC announcement, the project will evaluate the systems in place for detecting and addressing inappropriate officer conduct, assess whether police training programs comply with recent reforms, examine the effectiveness of reforms designed to eliminate bias in policing, and review law enforcement agency compliance with mandatory reporting obligations about officer misconduct. The project will also report on how taxpayer funds are used for policing and identify areas of inefficiency.

In response to an FY 2024 OLS Discussion Point, the OSC noted that four full-time employees have been allocated to the Police Accountability Project and that its work will include reviews, surveys, and investigations involving policing in New Jersey. The OSC also noted that the project is currently engaged in multiple ongoing matters related to policing and public funds and anticipates issuing public reports regarding ongoing work in the future.

- ***Questions:*** **Please provide an update regarding the implementation of the Police Accountability Project. How many staff are working on the project? What activities has the project undertaken in FY 2024 and what progress has been made? What activities does the project intend to undertake in FY 2025? Does the project intend to issue any additional reports in FY 2024?**

  The Office of the State Comptroller is in but not of (IBNO) Treasury and per statute is independent of Treasury. All answers were provided by the Comptroller's office.

Discussion Points (Cont'd)

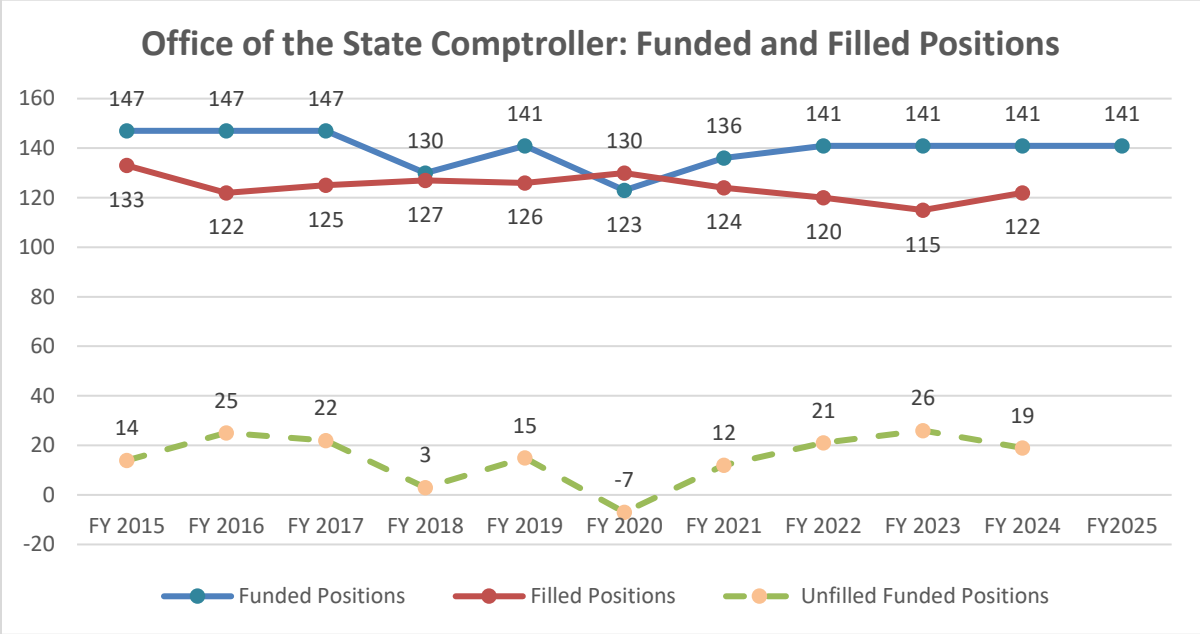
Currently, OSC has four full-time staff members dedicated to the Police Accountability Project. Employees from other OSC divisions provide support to the Project as needed. So far in FY 2024, the Project has issued one public report and made numerous referrals. The Project is currently engaged in multiple ongoing matters related to policing and public funds. The Project anticipates issuing additional public reports regarding ongoing work in the future, with at least one additional report in FY 2024.

10. The OSC was established in 2007 to provide enhanced financial oversight of State agencies, public institutions of higher education, independent State authorities, units of local government, and boards of education. The OSC is authorized to conduct financial audits of the aforementioned entities; undertake performance audits and other reviews of these entities; monitor the procurement processes for large-scale procurements by such entities; investigate the performance of governmental officers, employees, functions, and programs; and coordinate all recovery efforts in the Medicaid program to control waste, fraud, and abuse. The OSC reports its findings to the Governor and the Legislature, and may refer matters for further civil, criminal, and administrative action to the appropriate authorities.

In response to an FY 2024 OLS Discussion Point, the department noted that the Office of the State Comptroller plans to procure and implement a digitized applicant tracking system and establish a Talent Acquisition Unit to focus on outreach activities. Both of these initiatives are intended to bolster capabilities to recruit and retain a diverse workforce for the department.

The chart below shows that the number of unfilled funded positions has decreased in FY 2024. In addition, the funded positions compared to filled positions have consistently been overfunded since FY 2021. In response to an FY 2024 OLS Discussion Point, the OSC indicated that "[t]he gap between funded and filled positions is caused by normal attrition, including retirements and transfers to other agencies within government, combined with challenges in finding qualified replacements."

Discussion Points (Cont'd)



- ***Questions:*** **Despite the OSC's efforts to address the gap between funded and filled positions, what factors continue to contribute to this persistent gap? How has the competitive job market, particularly for the specialized roles within the OSC, affected the office's ability to fill positions?**

  The Office of the State Comptroller is in but not of (IBNO) Treasury and per statute is independent of Treasury. All answers were provided by the Comptroller's office.

  During FY 2023, OSC increased its ranks by a net of 9 employees, and we are continuing to grow those numbers. OSC currently has 125 active employees, an additional 5 individuals pending a start date, and 4 more FTEs who are in various stages of the employment offer process. We are actively recruiting for several other roles as well. OSC has had difficulty competing with the private sector when it comes to hiring for certain positions. We have also lost some candidates due to the length of time it takes to navigate the approval/on-boarding process, which can take 6-10 weeks, and sometimes longer, from when we interview the candidate and conditionally make an offer to when a formal offer is made and a start date is received.

- **What is the current status of the OSC's talent acquisition and outreach initiatives, and how have they affected the OSC's recruitment and retention efforts? What are the reasons for the gap shrinking in FY 2024 between funded and filled positions? What new or expanded strategies will the OSC implement in FY 2025 to attract and retain a diverse workforce, particularly in light of the ongoing challenges posed by the competitive job market and the specialized nature of many OSC positions?**

Discussion Points (Cont'd)

OSC is taking proactive measures to recruit candidates and fill vacancies. We continue to strategically recruit qualified employees through posting on specific career sites and creating detailed, attractive job postings. We've increased recruitment efforts through social media and website postings. This effort has attracted many candidates and increased the public's knowledge of our office. In FY 2025, OSC plans to continue its efforts to attract and retain a diverse workforce through social media outreach and diversifying our sourcing strategies. In order to retain our talented staff, we focus on providing work that is both engaging and challenging, and supporting our staff with appropriate resources, training, and management support. We also encourage collaboration, skill-sharing, and effective communication as key elements of a rewarding and successful workplace.

Division of Pensions & Benefits

11. Established by Executive Order No. 138 (2013), the department's **Pension Fraud and Abuse Unit** is charged with the prevention and investigation of fraud and abuse of the State's pension and benefits systems, including the payment of retirement, disability, and other benefits. The unit investigates public pension claims, including disability pension claims, and claims of improper participation in the State's retirement systems and potential fraud and abuse in other benefit systems. The unit is overseen by the Division of Pensions and Benefits.

On November 10, 2021, the OSC released a report examining the division's oversight of improper participation in the Public Employees' Retirement System (PERS). Among its findings, the OSC report concluded that the unit has a backlog of cases regarding professional service providers (PSPs) who may be improperly enrolled in PERS and that the unit has not investigated whether State and local authorities, commissions, fire districts, and boards have improperly enrolled PSPs in PERS. The report also concluded that the division should conduct a cost-benefit analysis to evaluate the appropriate level of additional staffing necessary to achieve the greatest amount of savings to the State from the prevention of fraud and abuse.

In response to an FY 2024 OLS Discussion Point, the department noted that the unit had a current backlog of 214 cases involving PSPs. Cases involving potential savings of $11.6 million were awaiting administrative determination hearings. The department also noted that the unit was in the process of hiring seven additional investigators and that the cost-benefit analysis examining the unit's staffing would be conducted in-house.

- ***Questions:*** **Please provide an update regarding the unit's efforts to investigate the improper enrollment of PSPs in PERS. What is the current backlog of cases? What is the total amount of savings achieved through these efforts? Does the department intend to allocate additional staff and resources to the unit in FY 2025? If not, why not? Has the cost-benefit study been completed? If so, please provide a summary of its findings and the department's plan for implementing any recommendations.**

Discussion Points (Cont'd)

Throughout FY 2024, the Pension Fraud and Abuse Unit (PFAU) continued its work to prevent, detect, investigate, mitigate and report fraud and abuse within the State-administered pension systems.

The backlog of Chapter 92 cases, i.e., investigations of possible improper enrollment in PERS of professional service providers, stands at 176, down from 214 at approximately this time last year. A total of 40 Chapter 92 cases were closed during the past year, while two new cases were added due to public referrals through PFAU's fraud reporting mechanisms.

The closing of Chapter 92 cases during calendar year 2023 resulted in potential savings of $9.7 million. Additionally, cases involving potential savings of $14 million are awaiting court and PERS Board of Trustee hearings, up from $11.6 million noted in the FY 2024 OLS Discussion Points on this topic. From the inception of the PFAU's investigations of Chapter 92 matters in 2013 through December 31, 2023, PFAU's resolution of Chapter 92 cases has resulted in an estimated total savings of $65.8 million.

PFAU is in the process of hiring three investigators and a supervisor to fill current vacancies; additional resources are not sought at this time. A cost benefit analysis is expected to be completed in FY 2025.

The lack of sufficient statutory investigative and enforcement authority in Chapter 92 cases and other areas of investigative focus, continues to significantly impede PFAU's work. In addition to increasing PFAU's staffing levels, acquiring this enforcement authority, as recommended in the Comptroller's November 2021 report, would enhance the thoroughness, efficacy, and speed of PFAU's investigations and case closures while maximizing the protection of at-risk financial assets.

Division of Property Management and Construction

12. The **Executive Branch Office Space Review and Recommendations** were transmitted to the Legislature on January 31, 2023. The report concluded that it would be highly speculative to develop ranges for reductions of office space or cost savings based upon the implementation of a teleworking or hoteling workspace office plan that has not yet been developed. The report did note that in 2020, the federal government reported that 26 percent of the savings it achieved from its telework policy (implemented beginning in 2010) were derived from reduced costs for rent, office space, and utilities.

The report concluded that a review of the Division of Property Management and Construction's statutory and regulatory framework should be undertaken in order to provide the State with greater flexibility to restructure its office portfolio and modernize and streamline the space leasing process in order to incorporate the adoption of telework and modern office space policies. The report also recommended the procurement of an outside consultant to develop a strategic plan that would allow for application of the "collective experience and

Discussion Points (Cont'd)

lessons learned" during the COVID-19 pandemic to the State's Executive Branch operations and office portfolio.

In response to an FY 2024 OLS Discussion Point, the department noted that the first phase of the study requires the engagement of a consultant to assist the Department of the Treasury with research, analysis, and the development of a strategic plan. The details of the engagement were being finalized, and the division's goal was to have it completed by the end of calendar year 2023.

- ***Questions:*** **Has the State engaged with an outside consultant to develop a strategic plan for the management of the State's office space portfolio? If an outside consultant has already been engaged, who has been hired and what is the summary of the strategic plan? What process was used to make that selection? What is the amount of the contract award? How much has been expended to date for this purpose?**

  The State engaged Boston Consulting Group (BCG). BCG's report is not yet finalized. A brief overview of their recommendations is as follows:

  - Set portfolio strategy and goals
  - Review the Legislative process and suggest ideas that could help streamline the process
    - Establish predictable cadence. Initiate quarterly meetings.
    - Institute threshold for Committee approval.
  - Review space planning process to create efficiencies through digitization.
  - Digitize paper records to reduce file storage space
  - Assess and recommend workspace for a modern workforce
  - Recommend Best Practices for space allocations based on functions, including re-programming space to address needs for collaboration, privacy, and meeting the public's needs.

  BCG was selected through use of a public procurement. The State issued a Mini-Bid request for work to all Contractors awarded contracts under the Master Agreement. The amount of the contract award for BCG was $2,366,000 and the full amount has been expended.

Division of Purchase and Property

13. The FY 2025 Governor's Budget includes an appropriation of $600,000 for **Contractor Study Implementation**. This study, which was not funded in the FY 2024 budget, aims to identify ways to streamline and modernize the State's procurement practices, improve efficiency, and reduce costs.

- ***Questions:*** **Please provide a summary of the office's intended use of this recommended funding in FY 2025. What issue is this recommended funding**

Discussion Points (Cont'd)

intended to address or examine related to the use or procurement of contractors? Please provide a copy or information about the contractor study.

The $600,000 will allow the Chief Diversity Officer to support increased utilization of small and diverse businesses through enhanced outreach, business and agency support, and overall compliance.

Office of Administrative Law

14. P.L.2021, c.390 requires the Office of Administrative Law, in consultation with the Department of Education, to develop a system to track a **due process petition** related to a special education case once it is assigned to an administrative law judge and to allow petitioners to track the status of their petitions. In response to an FY 2024 OLS Discussion Point, the office noted that the new system would be fully operational by the end of calendar year 2023.

- ***Questions:*** **Please provide an update regarding the development and implementation of the petition tracking system. What has been the main function of this system?**

The Office of Administrative Law (OAL) is in but not of (IBNO) Treasury and per statute is independent of Treasury. The answer below was provided by OAL.

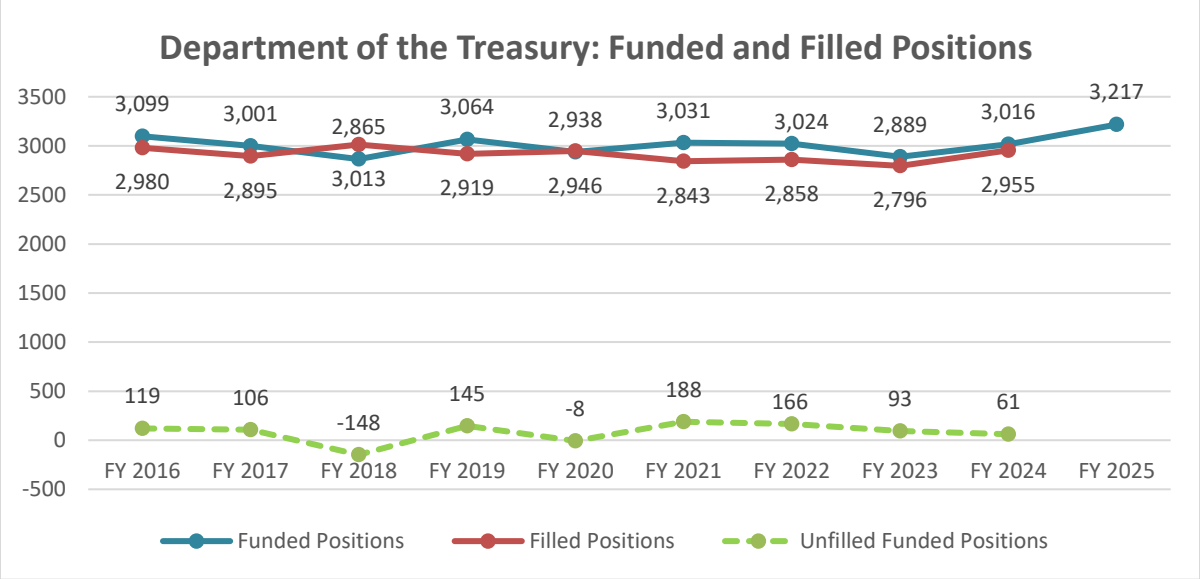
The petition tracking system is part of our data management system—which is a comprehensive case management system like the one the Judiciary uses. We anticipated implementation in December 2023 but encountered significant delay because the migration of our legacy data required complex coordination between our current vendor and our old vendor. Fortunately, the two vendors have coordinated their efforts, and the coding continues apace. We now anticipate implementation in July 2024—which was our original timetable.

Division of Administration

15. The **Department of the Treasury** is the central management agency of State government. Composed of 13 divisions with over 3,000 employees, it has major responsibilities in guiding the direction of State operations through its planning, management, and budget components; in securing the State's financial interests through the collection of taxes and other revenues and the investment of State assets; and in the distribution of significant amounts of State aid to individuals and local governments. In addition, the department provides Statewide support services to other agencies in the form of employee benefits management, procurement of goods and services, maintaining and leasing facilities, operating a State vehicle fleet, and providing mail and printing services.

Discussion Points (Cont'd)

As shown in the chart below, the number of filled positions within the Department of the Treasury's 13 divisions has increased modestly over the past year, reaching 2,955 in FY 2024. This represents a return to pre-pandemic levels of employment, with the number of filled positions in FY 2024 being comparable to the 2,946 filled positions in FY 2020. It is worth noting that there has been a more significant increase of 159 filled positions from FY 2023 to FY 2024. Despite these improvements, in response to an FY 2024 OLS Discussion Point, the department noted multiple factors that have contributed to the declining number of filled positions throughout the department in recent years, including the lack of a streamlined mechanism to recruit mid-career employees and the competition for talent with other State agencies and the private sector.



In August 2022, the department launched a paid internship program that offers full-time undergraduate and graduate students the opportunity to work on special projects and assignments for participating divisions. Successful applicants are offered an hourly wage of $17.00 to $21.00 per hour, depending on the number of school years completed, to work 25 hours per week.

- ***Questions:*** **Which divisions within the department have experienced the largest increase in newly filled positions, as well as the highest numbers of funded but unfilled positions? What is the plan to close the gap between the number of filled and funded positions? What progress has the department made in addressing the challenges that contributed to declining numbers of filled positions? Have there been any updates to trainee salaries to make them more competitive with the private sector?**

Discussion Points (Cont'd)

In the current labor market, turnover happens frequently and sometimes outpaces the recruitment process. However, Treasury has made significant strides in closing the gap between the number of funded and number of filled positions. The Division of Taxation has experienced the most significant number of newly filled positions, followed by the Division of Pensions & Benefits. There are a number of new agencies within Treasury, as well as divisions with operational needs for growth, whose positions have been funded, but not yet filled, including Secure Choice and the Office of Grants Management, and Office of Diversity and Inclusion and Administration, respectively.

The Office of Human Resources in the Division of Administration has adopted a multifaceted strategy for effective recruiting. During FY 2024, Human Resources successfully spearheaded the Job Exposition Series, where candidates learn about, apply for, and receive interviews for open positions in one visit. This Job Exposition Series program was successfully deployed in the Divisions of Taxation and Pensions & Benefits. We plan to expand it to other divisions in FY 2025. In addition, the Office of Human Resources continues to attend each job fair hosted by the Civil Service Commission and actively utilizes Handshake, which is an online platform to connect with and recruit college students at the beginning of their careers. In the past year, the Office of Human Resources has expanded its Management Relations and Employment Services Bureaus to expedite and improve the hiring process at every phase, including the position requisition, external approvals, candidate recruitment and selection, and onboarding and orientation. Trainee salaries are set by the Civil Service Commission and applicable union contracts and are not under the direct purview of the Department of the Treasury. Trainee salaries have increased; we defer to the Civil Service Commission for further details regarding updates.

- **How many undergraduate and graduate students, respectively, have applied in FY 2023 and FY 2024 to date for internships? How many have been accepted? Into which divisions have the interns been placed? How many interns have been subsequently offered full-time employment with the department? Are there any metrics or data that highlight the program's effectiveness?**

In FY 2024, 146 individuals applied for internship opportunities, up from 91 in FY 2023. This represents a 62% increase in applications. In FY 2024, 28 individuals accepted internship opportunities for the first time, down from 57 in FY 2023.

Treasury's internship program is designed to allow students to participate throughout their educational careers. As such, 30 of the 57 interns (52.6%) who started in FY 2023 returned as interns in FY 2024. Four have accepted full-time positions with Treasury, three have accepted full-time positions with another State Department, and 20 are no longer in State Service. There are currently 58 interns participating in the program in total.

A high retention rate of interns (52.6%) between FY 2023 and FY 2024 is a metric of the program's effectiveness. This program allows us to parallel educational and career

Discussion Points (Cont'd)

experiences. Conversion of interns hired into full-time State positions is another barometer of success.

16. The Bureau of Transportation Services in the Division of Administrative Services runs the State Central Motor Pool. P.L.2019, c.362, also known as the **Electric Vehicle Act**, established goals and incentives to increase the use of plug-in electric vehicles in New Jersey. The law aspires for at least 25 percent of State-owned non-emergency light duty vehicles to be plug-in electric vehicles by December 31, 2025, and for 100 percent of State-owned non-emergency light duty vehicles to be plug-in electric vehicles by December 31, 2035. The Electric Vehicle Act defines a light duty vehicle as any two-axle, four-wheel vehicle, designed primarily for passenger travel or light duty commercial use, and approved for travel on public roads.
The FY 2024 Appropriations Act provided $25.0 million to the department for Electric Vehicle Infrastructure to spur the State's effort to meet the goals established by the Electric Vehicle Act for the use of electric vehicles by State government. The FY 2025 Governor's Budget includes an additional $25.0 million for electric vehicle infrastructure.

In response to an FY 2024 OLS Discussion Point, the department noted that as of March 2023, there are 42 plug-in hybrid electric vehicles and eight plug-in electric vehicles in the State's fleet, with more hybrid electric vehicles on order. In addition the department noted that telematics devices have been installed in more than half of the light-duty fleet, with the full installation expected by the fall of 2023. These installations are intended to allow the division to "analyze driving patterns of the fleet in order to identify specific vehicles ripe for electric vehicle conversion."

- ***Questions:*** **Please provide an update regarding the State's progress towards meeting the goals of the Electric Vehicle Act. What proportion of the State-owned non-emergency light duty vehicles are currently plug-in electric vehicles? Is the State on course to have at least 25 percent of State-owned non-emergency light-duty vehicles be plug-in electric vehicles by December 31, 2025? If not, what strategies does the Executive intend to use to accelerate the State's progress towards the goals of the Electric Vehicle Act? Has the division completed the installation of telematics devices in all light-duty fleet vehicles? Based on the data collected from the telematics devices, what insights has the Division of Property Management and Construction gained regarding overnight parking patterns?**

  The Department of the Treasury's Bureau of Transportation Services is responsible for the repair and maintenance of the State's fleet, with the exception of the fleets of the NJ State Police, the Department of Transportation, and autonomous agencies. Individual departments are responsible for their own purchases of vehicles, including selection and funding. Generally speaking, departments have struggled with adding fully electric or plug-in hybrids to their fleets due to a number of factors, including long-term supply chain issues with vehicles,

Discussion Points (Cont'd)

availability of commercial charging, and the increase cost of an electric vehicle over a similar gasoline model. The number of gasoline hybrids in the fleet has increased, but the number of electric vehicles has not increased significantly from the previous totals quoted above. There is a lack of available inventory of electric vehicles and plug-in hybrids for purchase. At this time, it appears that vehicle manufacturers have more vehicles allocated for retail purchase than for fleet purchase, proving it difficult for agencies to secure the vehicles. There are numerous instances of manufacturers canceling vehicle orders without offering alternatives to the buying agency.

There are a number of both large and small charging infrastructure construction projects in varying stages of progress. The State contract for vehicle charging equipment was awarded in March 2024 allowing for the purchases of chargers, equipment, and related software in large quantities.

Locations of current charging projects are listed below. Primary using agencies are noted; however, most locations will be available for the State workforce if they are in the area and need to charge their State vehicle.

Large-scale projects, in the design/architectural phase, include the following installations:

- Department of Corrections headquarters, Ewing
- Negron Drive, Hamilton, (NJSP, OIT, and multi-agency regional use);
- Trenton Office Complex parking garage (also known as the MVC building), Trenton (multi-agency use);
- Bank Street parking garage; Trenton (multi-agency use);
- Richard J. Hughes Justice Complex, Trenton (L&PS, Judiciary); and
- Perry Street lot, Trenton, an EV Depot, intended to be a regional "park and ride" for multi-agency use).

Small-scale projects, which are in the purchasing/implementation phase, include the following installations:

- John Fitch Way, Trenton (for use by Taxation and Labor);
- Trenton Office Complex, Trenton (multi-agency use);
- Veterans' Parkway, Somerville (for use by Taxation and DCF);
- Galloway Regional Taxation Office;
- Cranford Regional Taxation Office;
- Fair Lawn Regional Taxation Office; and
- Library for the Blind, Ewing.

Following the plan and design of proposed charging locations, Treasury engages the utility company to accept the design and ready the infrastructure at the site for construction. There is a long lead time for utility work at these locations, which includes the utility ordering and installing transformers. The current lead time for this work is 18 months from the State's request and the delivery of the transformers.

Treasury is exploring the feasibility of additional "park and ride" locations throughout the State for regional charging and centralized use of electric vehicles shared by multiple State

Discussion Points (Cont'd)

departments and agencies. Treasury is also in discussion with State partners to install "fast chargers" at strategic locations for State drivers to use for emergency or "top off" charging.

At this time, Treasury has reached critical mass in its installation of telematics devices in the light duty, non-law enforcement purpose, non-cargo, passenger fleet. The data, which is continually populating, is being analyzed to see when and where vehicles are parked for extended periods of time, which will allow for charging opportunities. The vendor is assisting Treasury with identifying and prioritizing vehicles most suitable for conversion to electric vehicles. As those reports are drafted, they will be shared with the applicable agencies for further discussion on specific vehicle conversion and charging infrastructure plans.

17. P.L.2021, c.122 established the Grants Management Office in the Department of the Treasury. The office was established to improve efficiency, streamline processes, reduce administrative burdens on both granting agencies and grant recipients, and to facilitate the development and implementation of a Statewide centralized grants management and accountability system. The law also requires the office to submit an annual report to the Legislature describing all federal funds received by State agencies during the preceding fiscal year.

- ***Questions:*** **Have the operations of the office either increased the amount of grant awards to public entities in the State or reduced the administrative costs of such entities? If so, please explain. Please provide a copy of the office's most recent annual report to the Legislature.**

  To date, the newly established Grants Management Office (GMO) created www.grants.nj.gov, an easily accessible online resource that consolidates information on state grants, federal grants, training opportunities, grant news, as well as federal and local grant resources. GMO identified a tool that will automate the discovery and identification of federal grant opportunities for our stakeholders. Additionally, the Grant Discovery tool will allow NJ stakeholders to collaborate and identify partnerships for stronger grant applications. The Grants Office provides technical advice and research services directly to State agencies or local governments looking for grant opportunities to fund specific projects. GMO distributes a weekly Grants Update newsletter to subscribers about available grant opportunities, training, grant news, and grant issues. Though overall changes to existing grants and opportunities for new awards are largely dependent upon many external factors, the GMO remains committed to making grant opportunities and resources easily accessible and available for the State's many stakeholders. The first GMO report on federal funds is scheduled to be released within 90 days of the end of FY 2024.

Cannabis Regulatory Commission

Discussion Points (Cont'd)

18. The New Jersey Constitution provides that the retail sale of cannabis may only be subject to the sales and use tax. P.L.2021, c.16 authorizes the Cannabis Regulatory Commission to impose a Social Equity Excise Fee on the receipts from the sale or transfer of usable cannabis by a cannabis cultivator to any other cannabis establishment, other than a cannabis cultivator. Effective January 1, 2024, the Social Equity Excise Fee decreased from $1.52 to $1.24 per each usable ounce of cannabis sold by a cannabis cultivator. The commission may adjust the fee annually based on the retail price of an ounce of usable cannabis.

Revenues generated by the retail sale of cannabis and the Social Equity Excise Fee are deposited into the Cannabis Regulatory, Enforcement Assistance, and Marketplace Modernization Fund. Supplementary budget information available last year showed the Executive anticipated FY 2024 fund revenues totaling $78.1 million. Supplementary budget information from this year indicates that the Executive lowered its FY 2024 revenue estimate by $20.5 million, or 26.2 percent, to $57.6 million. The Executive also projects that fund revenues will increase by 65.2 percent, to $93.6 million, in FY 2025.

In response to an FY 2024 OLS Discussion Point, the department indicated that approximately two-thirds of municipalities have opted out of allowing cannabis businesses within their jurisdictions.

- ***Questions:*** **What amount does the Executive anticipate will be generated by the imposition of sales and use tax and the Social Equity Excise Fee on recreational cannabis sales in FY 2024 and FY 2025, respectively? Please provide an update on the percentage of New Jersey municipalities that have opted out of allowing cannabis businesses within their jurisdictions.**

  The Cannabis Regulatory Commission (CRC) is in but not of (IBNO) Treasury and per statute is independent of Treasury. All answers below were provided by the CRC.

  The Governor's FY 2025 Budget Message anticipates that the amount of revenue to be deposited in the CREAMM Fund, for FY 2024 and FY 2025, as a result of sales and use tax will be $44.1 million and $62.2 million while the Social Equity Excise Fee will be $2.4 million and $16.5 million respectively.

  The NJ-CRC estimates that just over 35% of all municipalities are currently opted-in to allow cannabis businesses in New Jersey, meaning approximately 64% of municipalities have opted out of allowing cannabis businesses within their jurisdictions. This is an estimation, as there is no mechanism in place to mandate municipalities to report to the agency if they've amended their municipal ordinances to allow cannabis businesses in their town.

Discussion Points (Cont'd)

- **What factors resulted in a reduction of the Social Equity Excise Fee rate per ounce of cannabis from $1.52 in 2023 to $1.24 in 2024? How has the fact that approximately two-thirds of municipalities opted out of allowing cannabis retail establishments within their borders affected the commission's revenue projections? What are the factors leading to the projected revenue increase for FY 2025?**

  The Cannabis Regulatory Commission (CRC) is in but not of (IBNO) Treasury and per statute is independent of Treasury. All answers below were provided by the CRC.

  P.L.2021, c.16 stipulates that the Social Equity Excise Fee is initially set at one-third of one percent of the statewide average retail price of an ounce of usable cannabis. The reduction from $1.52 to $1.24 is due to a reduction in the average retail price of cannabis, to which the fee is attached. In accordance with N.J.A.C. 17:30-3.4, the fee is adjusted on a yearly basis. Nine months after the first sale or transfer of cannabis by a Class 1 Cannabis Cultivator that is *not* a medical business, the fee will adjust to between $10-$40 per ounce depending on the average retail price for the next calendar. This adjustment accounts for the Commission's increased projections for FY 2025 for the Social Equity Excise Fee.

  Municipal opt-outs have certainly had an impact on excise fee collections as they have limited the available real estate and licensing options for cultivators, thus increasing the time it has taken to trigger the excise fee increase to $10-$40 per ounce.

19. P.L.2021, c.25 requires 15 percent of all revenues deposited into the Cannabis Regulatory, Enforcement Assistance, and Marketplace Modernization Fund to be placed into the **Underage Deterrence and Prevention Account**. The law requires the Cannabis Regulatory Commission to use funds in the account for various programs and activities intended to encourage persons under age 18 to avoid participating in activities associated with the consumption of cannabis items, marijuana, or hashish.

- ***Questions:*** **Please provide a detailed accounting of how funds from the Cannabis Regulatory, Enforcement Assistance, and Marketplace Modernization Fund and Underage Deterrence and Prevention Account were allocated in FY 2023 and FY 2024, respectively. What specific programs and initiatives received funding and how much did each receive? What actions has the commission taken to evaluate the effectiveness of the programs supported by these funds? What are the commission's priorities and plans for the allocation of funding in FY 2025 from the Cannabis Regulatory, Enforcement Assistance, and Marketplace Modernization Fund and Underage Deterrence and Prevention Account?**

  The Cannabis Regulatory Commission (CRC) is in but not of (IBNO) Treasury and per statute is independent of Treasury. All answers below were provided by the CRC.

Discussion Points (Cont'd)

Fiscal Year	Department	Program/Activities	Allocation	
2023	State	NJBAC - Cannabis Training Academy	1,891,020.00	
2024	LPS	Hospital-Based Violence Intervention Programs	5,500,000.00	
2024	LPS	Community-Based Violence Intervention	5,000,000.00	
2024	State	NJBAC - Cannabis Training Academy	1,891,020.00	
2024	DCF	New Jersey Statewide Student Support Service (NJ4S) Network	2,000,000.00	*
2024	CRC	Safe Storage Bags	7,486.64	*
Total			**16,289,526.64**	

*Underage Deterrence and Prevention Account

Allocations as of 4/25/2024.

The FY 2025 priorities and plans for the CREAMM fund include $25.5 million for Violence Intervention programs including Hospital-Based Violence Intervention and Community-Based Violence Intervention programs; $5 million for New Jersey Economic Development Authority cannabis equity grant programs; $2 million for New Jersey-Based Children's Defense Fund Freedom Schools; $8 million for Anti-Violence Out-of-School Youth Summer programs; and $7 million for Release Support Partnership programs.

In addition, the Underage Deterrence and Prevention Account will support underage deterrence programs developed by the Cannabis Regulatory Commission, the Governor's Council on Substance Use Disorder, the Department of Children and Families, and the Department of Law and Public Safety pursuant to General Provision 106.

20. Current law authorizes the Cannabis Regulatory Commission to **monitor, inspect, and assess** the premises of license holders to ensure compliance with P.L.2021, c.16 and the commission's regulations. The commission uses scheduled and unscheduled onsite assessments to inspect cannabis businesses and testing laboratories for compliance; review employment, sales, and financial records; and collect and examine samples of cannabis items. The commission is authorized to sanction a license holder found to be in violation of the law. These sanctions may include, but are not limited to, civil monetary penalties, suspension, revocation, non-renewal or denial of a license, and referral to State or local law enforcement agencies.

- ***Questions:*** **Please provide a summary of the Cannabis Regulatory Commission's compliance and enforcement actions in FY 2023 and FY 2024 to date. How many inspections have been conducted? How many civil monetary penalties, license suspensions, and license revocations have been imposed, respectively? What is the total amount of civil monetary penalties levied and collected each year in FY 2023 and FY 2024? Please describe the most common violations that the commission has discovered in the course of its investigations. To what extent have there been continual and persistent violations of P.L.2021, c.16 and the commission's regulations by license holders? To what extent have there been common violations that have required the commission to issue additional clarification and guidance to**

Discussion Points (Cont'd)

cannabis licensees regarding current law, regulations, and standards? Please explain any such clarifications or guidance issued by the commission.

The Cannabis Regulatory Commission (CRC) is in but not of (IBNO) Treasury and per statute is independent of Treasury. All answers below were provided by the CRC.

The Cannabis Regulatory Commission's Compliance Unit is currently comprised of 13 Field Monitors. During FY 2023 those Field Monitors conducted a total of 326 inspections at cannabis facilities across the State. To date in FY 2024, those Field Monitors conducted a total of 372 inspections. Since the inception of the Cannabis Regulatory Commission, no cannabis business or alternative treatment center has been penalized with either a suspension or revocation of its license or permit.

During FY 2023, two civil monetary penalties were imposed for a total of $10,000 dollars and all monies from those penalties have been collected. To date in FY 2024, three civil monetary penalties were imposed for a total of $170,000, but the penalties are being appealed and monies have not yet been collected. The most frequent penalties imposed for FYs 2023 and 2024 were for patient access violations. These violations include a failure of expanded alternative treatment centers to have the same products on hand for both their adult-use consumers and medical patients, a failure to prioritize patient access with designated parking and point of sale locations resulting in excessive wait times for medical patients, and a failure to maintain patient-only hours as required by the Final Agency Decisions authorizing adult-use sales by previously medical-only operators.

The Compliance Unit in the Office of Compliance and Investigations has not found continual or persistent violations of P.L.2021, c.16 and the implementing regulations by either cannabis businesses (adult-use) or alternative treatment centers (medical). Areas where the Compliance Unit has found it appropriate to issue guidance are as follows: Guidance reminding operators of the requirement to offer all menu options on the medicinal menus that are offered on their adult-use menus (for dual-market operators), guidance reminding operators of the need to stamp, imprint, or otherwise mark each edible product with the Cannabis Regulatory Commission's designated universal symbol, guidance on the appropriate process for applying for and receiving approval to conduct home delivery services, and guidance reminding operators of the requirements and prohibitions related to packaging, labeling, and naming of products.

21. According to data from the Cannabis Regulatory Commission, recreational cannabis sales in New Jersey have more than doubled from $328.8 million in calendar year 2022 to $675.5 million in calendar year 2023. During that same period, medical cannabis sales have decreased by approximately 45 percent from $226.1 million in calendar year 2022 to $124.7 million in calendar year 2023.

- ***Questions:*** **Please describe the current state of New Jersey's cannabis market. What factors have contributed to the significant increase in recreational cannabis sales, as well as the significant decrease in medical cannabis sales in CY 2023? To**

Discussion Points (Cont'd)

what extent has decreased medical cannabis sales been driven by registered medical cannabis patients transitioning to the recreational market? How has funding for Cannabis Regulatory Commission been affected by these shifts in the medical and recreational cannabis markets? What steps, if any, is the commission considering to encourage more municipalities to allow cannabis retail establishments, in order to promote wider access to legal cannabis products and support the continued growth of the industry?

The Cannabis Regulatory Commission (CRC) is in but not of (IBNO) Treasury and per statute is independent of Treasury. All answers below were provided by the CRC.

New Jersey's cannabis market is two years into adult-use cannabis sales and is still expanding. While the industry is not yet at its full potential, 2024 and beyond continue to mark significant opportunities for growth. In CY 2023, the market generated $800 million in total cannabis sales, with $675 million from adult use and $125 million in medicinal cannabis sales. Since adult-use sales began in April 2022, there have been more than $1.5 billion in sales (through the end of March 2024), and New Jersey will likely reach $1 billion in annual sales in CY 2024. Medicinal cannabis sales have decreased from $226 million in CY 2022 to $125 million in CY 2023, driven primarily by a drop in patient enrollment from 130,000 patients to 80,000 patients. The top factor cited by patients in dropping out of the medicinal cannabis program is the cost of health care practitioner visits. The NJ-CRC continues to focus on supporting the medicinal cannabis program, having implemented free digital ID cards earlier this year and holding patient registration clinics throughout the state.

The NJ-CRC's budget will continue to be adequately supported through the statutorily provided allocation of generated revenues. In order to engage municipalities, the NJ-CRC has held a series of municipal town halls to educate municipal leaders about the NJ-CRC's regulations and how the NJ-CRC's framework promotes a safe and responsible cannabis industry.

22. The FY 2025 Governor's Budget includes a recommended language provision to appropriate revenues from the Cannabis Regulatory, Enforcement Assistance, and Marketplace Modernization Fund (CREAMM Fund) for various programs and initiatives in impact zones. Specifically, the recommended language provision would allocate these monies as follows: $25.5 million for Violence Intervention programs; $5.0 million for New Jersey Economic Development Authority cannabis equity grant programs; $2.0 million for New Jersey-Based Children's Defense Fund Freedom Schools; $8.0 million for Anti-Violence Out-of-School Youth Summer programs; and $7.0 million for Release Support Partnership programs. However, additional amounts could also be transferred to various State departments or the New Jersey Economic Development Authority for these purposes, subject to the approval of the Director of the Division of Budget and Accounting.

In addition, the Cannabis Regulatory, Enforcement Assistance, and Marketplace Modernization Act requires a portion of the sales tax revenue collected from the sale of

Discussion Points (Cont'd)

cannabis items to be appropriated to reimburse municipalities for the costs associated with training additional law enforcement officers as drug recognition experts.

- ***Questions:*** **What criteria did the Executive use to determine which programs would receive direct allocations from the CREAMM Fund? What amount of funding will be dedicated for programs in areas designated as impact zones? What portion of each allocation is expected to be distributed for programs and activities located in the Northern, Central, and Southern regions of the State, respectively? If CREAMM revenues are not sufficient to support all of these allocations, what criteria will the Department of the Treasury use to determine which initiatives will be funded and which will not?**

  The Cannabis Regulatory Commission (CRC) is in but not of (IBNO) Treasury and per statute is independent of Treasury. All answers below were provided by the CRC.

  The Governor's Fiscal Year 2025 Budget Message indicates that future allocations of funding are anticipated to support a variety of investments to benefit those most harmed by the War on Drugs and support inclusive growth, with an emphasis on economic and community development, including re-entry and community-based violence intervention programs; youth services, including expanded summer opportunities; and public health programming. The specific geographies that will be served by these programs has not been determined.

  Sufficient CREAMM revenues are anticipated to be available to support all programs.

- **What amount of the CREAMM Fund has been expended to reimburse municipalities for costs associated with training drug recognition experts? How many additional law enforcement officers have been trained as drug recognition experts using CREAMM Fund revenues? How has the availability of these additional drug recognition experts impacted law enforcement efforts to detect and prevent drug-impaired driving?**

  The Cannabis Regulatory Commission (CRC) is in but not of (IBNO) Treasury and per statute is independent of Treasury. All answers below were provided by the CRC.

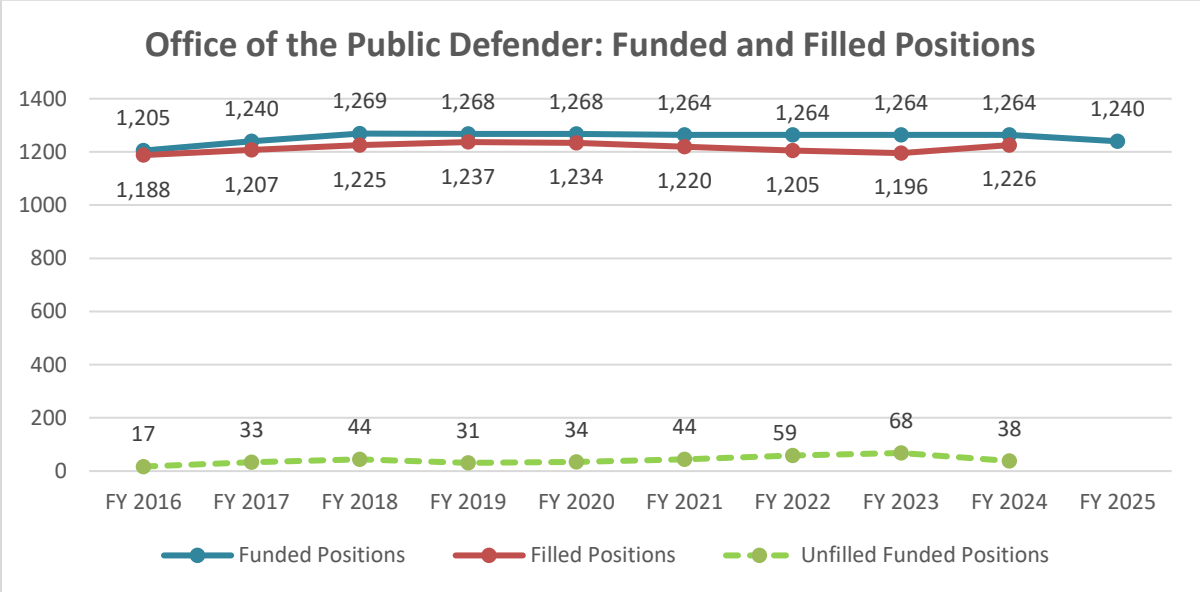
  No funding to-date has been used to reimburse municipalities for costs associated with training drug recognition experts.

Office of the Public Defender

23. The **Office of the Public Defender** primarily furnishes legal counsel to low-income defendants who are formally charged with the commission of an indictable offense. The office also represents children and low-income parents in family court in child abuse and neglect cases, as well as termination of parental rights proceedings. The chart below shows that the

Discussion Points (Cont'd)

number of filled positions at the office had been steadily decreasing since FY 2019, although there was an increase in filled positions in FY 2024.
In response to an FY 2024 OLS Discussion Point, the office noted that efforts were underway to increase entry level salaries to assist with recruitment and that they have been making a concerted effort to promote capable staff attorneys in order to retain them.



- ***Questions:*** **What has been the impact of the increase in staffing for the Office of the Public Defender? Which units of the office continue to have the most critical staffing needs? Has the office increased entry level salaries? If so, by how much? Please discuss the office's efforts to recruit and retain personnel and any progress made in FY 2024. How many additional staff are expected to be hired in FY 2025?**

The Office of the Public Defender is in but not of (IBNO) Treasury and per statute is independent of Treasury. All answers below were provided by the Public Defender's office.

The most recent pay period (Pay Period 9) indicates a filled level of 1,231 FTE which is only nine less than the 1,240 FTE published in the Governor's Budget.

The adult criminal and juvenile trial regions have the largest staffing needs. OPD's adult criminal trial attorneys carry caseloads that are 3.2 times the national best practice average established by the National Public Defense Workload Study (NPDWS) on criminal justice standards and goals. OPD opened 9,000 more criminal cases in FY 2024 than in FY 2022. Juvenile attorneys are working at double the most conservative national best practice limits.

Discussion Points (Cont'd)

Our entry-level salaries are set by CWA contract. Any increase in salary is consistent with the contract. For example, this year all non-manager salaries will increase by 3.5% on July 1.

Recruitment

Public Defender Jennifer Sellitti was sworn into office on February 1, 2024, just three months ago. One of her priorities is changing OPD's recruiting and hiring process to attract and retain attorneys, investigators, and support staff. The first step was the appointment of a Director of People and Culture to oversee this process. Plans include improving relationships with New Jersey colleges and law schools to recruit new employees who are not only talented but connected to the communities OPD serves; developing and using a standardized hiring rubric to create a structured approach for gathering data to make accurate and unbiased hiring decisions; strengthening our internship programs to make it a pathway for recruiting qualified candidates who are already familiar with our work to permanent employment; offering paid internships; working with national organizations to host fellows/interns with a pathway to permanent employment.[1] OPD has no difficulty recruiting new staff. We routinely receive far more applicants than we can hire.

Retention

As of February of 2024, 43% percent of attorneys who left OPD did so because caseloads were too high or due to job-related stress.[2] Thirty-three percent of investigators and support staff leave for caseload-related reasons while 23% left due to lack of promotional opportunities. The civil service structure is a barrier to investigator retention. Investigator titles have stringent requirements for advancement that make it difficult to compete with higher salaries offered by other agencies like the Federal Public Defender's Office and other State agencies. Our new Director of People and Culture, part of the new OPD administration, is working on plans to increase employee retention. Lowering caseloads and focusing on attorney wellness will go a long way to preventing attorney attrition and realigning our investigative force will create more pathways for advancement.

[1] OPD has looked at models used by statewide public agencies in Kentucky, Wisconsin, Massachusetts, Missouri, and North Dakota for creation of the rubric and to Public Defender Services (DC), Bronx Defenders, and Massachusetts as model internship programs.
[2] Exit interview data collected from June of 2022 through February 17, 2024.

24. In responses to previous OLS Discussion Points, the Office of the Public Defender has discussed the impact of COVID-19 on its operations and the conduct of grand jury proceedings and jury trials. The office noted that ongoing concerns related to the COVID-19 pandemic and social distancing resulted in slower jury selections and a backlog of several thousand clients awaiting pretrial detention hearings, thereby making it difficult to resolve cases. The office also noted that the length of time necessary to resolve cases was likely to increase the billable hours incurred by pool attorneys for their cases. A pool attorney is a private attorney with whom the Office of the Public Defender contracts to provide services to clients when staff attorneys cannot provide legal services due to conflicts of interest or other reasons.

Discussion Points (Cont'd)

- ***Questions:*** **Please provide an update regarding the ongoing backlog of pretrial detention hearings. Has the pretrial detention backlog been cleared? Have the courts scheduled additional pretrial detention hearings in order to help clear the backlog? If not, how many Office of the Public Defender clients remain in pretrial detention due to the backlog? When does the office anticipate that the backlog will be cleared? Does the office have sufficient staff to handle its current caseload?**

  The Office of the Public Defender is in but not of (IBNO) Treasury and per statute is independent of Treasury. All answers below were provided by the Public Defender's office.

  According to the Administrative Office of the Courts, "as of January 1, 2024, backlogged matters stood at 81,415, more than double the mark from June 2019."[1] The criminal pre-indictment backlog was 18,077 as of January 1, 2024, as compared to 7,975 in June of 2019.[2]

  A detention hearing focuses on whether a person will be held in custody pending trial, therefore, scheduling additional detention hearings will not clear the backlog. Backlog can only be eliminated by resolving cases before trial or trying them. The reality is that most cases in our criminal legal system are not tried, which makes pretrial advocacy a critical part of the public defense.

  OPD attorneys must and should prioritize those who are in custody pending case resolution. We plan to embark on a pilot program designed, among other aims, to clear pretrial backlog.[3] The pilot will embed non-lawyer advocates in public defender offices to partner with attorneys to develop sentencing mitigation and release plans. Mitigation helps prosecutors and the courts understand why a person may have engaged in criminal activity and the release plan assures the court that the person will get the help they need pretrial and post-conviction. Plans like these make it far easier to resolve cases. Stanford University and University of Pennsylvania will be studying the pilot progress to determine if it is successful at, among other things, reducing backlog. Atlantic County, which has the State's highest backlog, will be one of the first pilots.

---

[1] Acting Administrative Director Glenn A. Grant Remarks before Senate Budget and Appropriations Committee, April 16, 2024; The question asks about pre-trial detention hearing backlog. Detention hearings take place within 48 hours of arrest or within days of arrest if a short adjournment is granted to the parties. Accordingly, there is no pre-trial hearing backlog. OPD has interpreted the question to mean overall, pre-trial backlog.

[2] https://www.njcourts.gov/sites/default/files/public/statistics/jud-strategic-plan.pdf

[3] OPD criminal attorneys represent people on indictable (felony) cases in Superior Court only. Their caseloads range of felonies from the fourth to the first degree. The numbers reported here are case average for these counties, which means a portion of these attorneys are working at above these caseload numbers. We cannot predict when the backlog will be fully cleared as it depends on many factors outside OPD control. We believe that we can play a greater role in reducing backlog through the pre-trial pilot program and by reducing caseloads so attorneys can move cases through the system more swiftly.

Discussion Points (Cont'd)

- **How much has the Office of the Public Defender expended for pool attorney services in FY 2023 and FY 2024 to date? What is the current hourly rate for pool attorneys? To what extent, if any, is the office having difficulty attracting new pool attorneys? What strategies has the office utilized to attract new pool attorneys?**

  The Office of the Public Defender is in but not of (IBNO) Treasury and per statute is independent of Treasury. All answers below were provided by the Public Defender's office.

  In FY2023, the office spent $13,789,002 on pool attorney services. In FY2024 to date, the expenditure is $13,173,744. Please note that a rate increase from $75 to $100 per hour took effect on July 1, 2023.

  The current hourly rate for pool attorneys is $100 per hour.

  The office continues to struggle with attracting and retaining pool attorneys. Prior to the rate increase, OPD paid pool attorneys one of the lowest rates in the country. The increase to $100 has made pool work more attractive. Additionally, OPD is currently rewriting pool attorney guidelines to make it easier for pool attorneys to know what is expected of them, developing training programs for new and existing pool lawyers, reaching out to local law firms and experienced practitioners to meet with them and recruit them for pool work, and reorganizing the Division of Administration to dedicate support staff to pool attorney onboarding and customer service.

25. P.L.2023, c.157 requires the Office of the Public Defender to provide legal representation to any person on parole from New Jersey correctional institutions who are facing parole revocation proceedings. This law reinstates the statutory mandate that was previously repealed by the Public Advocate Restructuring Act of 1994. The FY 2024 Appropriations Act provided $1.1 million for the Office of the Public Defender to establish a Parole Revocation Defense Unit to meet this legislative requirement. The FY 2025 Governor's Budget recommends $1.2 million in continued funding for the Parole Revocation Defense Unit, as well as $750,000 for a newly established Holistic Defense Pilot program within the Office of the Public Defender.

- ***Questions:*** **Please provide a progress report regarding the establishment and operations of the Parole Revocation Defense Unit. How many attorneys and support personnel have been hired to support the unit? How many additional cases has the office been required to handle in order to meet the legislative mandate? How has the establishment of this unit affected the work of the Public Defender's Office?**

The Office of the Public Defender is in but not of (IBNO) Treasury and per statute is independent of Treasury. All answers below were provided by the Public Defender's office.

Discussion Points (Cont'd)

On October 2, 2023, the Parole Revocation Defense Unit commenced representing clients at probable cause hearings, revocation hearings, and appeals to the Parole Board, for the first time since 1991.[4] The PRDU staff has undergone extensive training on the administrative complexities of the parole system and caselaw that governs the revocation process.

The PRDU consists of five staff attorneys, one deputy (managing attorney), two investigators, and two administrative support staff.

From October 2, 2023 to April 26, 2024, the PRDU opened 402 client cases. Of these 402 cases, 286 were based upon technical violations (71%) and 105 were based upon new arrests (26%). Further, of the total cases, 96 are parole supervision for life cases, which represents 24% of the total cases.

- **Please provide additional details regarding the proposed $750,000 Holistic Defense Pilot program. What is the goal of this program, and what specific services will be provided to clients? How does the Office of the Public Defender plan to evaluate the effectiveness of the pilot program? If the pilot program proves successful, how does the office intend to secure funding for its expansion?**

  The Office of the Public Defender is in but not of (IBNO) Treasury and per statute is independent of Treasury. All answers below were provided by the Public Defender's office.

  OPD hopes to embark on a defense advocate pilot program, which involves adding two or three non-lawyer advocates to at least three of our twenty-one county offices. The advocates will work in concert with our attorneys and our clients to develop pre-trial service plans and work within the communities we serve to connect people to the services they need. This simple program can have a profound effect on case resolution and outcomes. Programs like these have reduced prison sentence length and yielded tens of millions of dollars in taxpayer savings in more than 25 public defender systems nationwide. A recent ten-year study of such programs in New York showed that they reduced the likelihood of a prison sentence by 16%, and actual prison sentence length by 24%. And despite an appreciably higher release rate, defendants who received holistic defense services were shown to commit no more crime than those incarcerated for longer periods.

  The goals of this program in New Jersey are to lower prison sentences, defer more people from prison to probation, reduce pre-trial backlog, decrease rates of re-offense while on pre-trial release, to reduce racial disparities in sentencing by addressing the causes of crime, and to achieve the taxpayer savings noted above.

[4] The legislation authorizing the OPD to represent clients in the parole revocation process was passed following the Criminal Sentencing and Disposition Commission (CSDC) recommendation to eliminate pro bono Madden assignments in parole revocation cases. With the unanimous support of the OPD, the Supreme Court Working Group on Attorney Pro Bono Assignments, the New Jersey State Bar Association, the Attorney General, and the Parole Board, S-3772 was passed on June 30, 2023, effective on September 12, 2023.

Discussion Points (Cont'd)

Services include (we anticipate most clients will receive at least three services or more):

- Securing or stabilizing housing that has been disrupted by a legal case;
- Assisting with reinstatement of driving privileges;
- Providing documentation to advocate for fine and fee waivers;
- Clearing warrants;
- Addressing crimes of poverty, finding ways to fight for client's licenses or to meet low-level municipal court and ticket obligations without ruining a client's tenuous financial stability;
- Adjusting child support obligations;
- Engaging in systemic advocacy to lower the cost of criminal system involvement (e.g. impounds, forfeitures, etc.);
- Increasing employability (helping with record clearance, resume preparation, interview rehearsals, job searches, and more);
- Accessing mental health treatment;
- Accessing drug treatment;
- Accessing to government benefits;
- Addressing food insecurity;
- Connecting to specialty support groups;
- Mapping and monitoring the effectiveness of community services;
- Providing mitigating information to system stakeholders like judges, who may not understand how their orders or decisions are failing to connect people with care.

OPD will measure results in two ways. First, we will keep statistics on outcomes for pilot counties and non-pilot counties as well as data on those who receive services and control groups in pilot counties. Advocates will be required to formally report the number of services provided, number of clients served, time to completion, the client's offer, the case resolution, and biographical information about the client. Second, OPD is partnering with Stanford University and the University of Pennsylvania to conduct a study of the pilot program. In this way, results will be monitored both internally and externally.

It is important to note that studies of programs like the one outlined above have found that every dollar spent on an advocate creates $3-6 in potential savings for local governments via reduced incarceration.[5] The Philadelphia Public Defender added bail advocates to their pre-trial teams. Advocate involvement in cases reduced clients' likelihood of bail violation by 64%.[6] The same advocate program reduced future arrests by 26%.[7] Programs like the one described also help to reduce racial disparities in sentencing.

The idea is to learn from the pilot and, eventually, make it part of OPD's service delivery model. If the program is successful, OPD would hire people into advocate positions to make

[5] Heaton, P., Enhanced Public Defense Improves Pre-trial Outcomes and Reduces Racial Disparities. Indiana Law Journal, 98(3) (Spring 2021); Alternative Sentencing Worker Program, May 2016, Kentucky Department of Public Advocacy, DPA-ASW-UK-Outcome-Study-FY-2014.pdf (ky.gov).
[6] See Heaton, P., (Spring 2021).
[7] See Heaton, P., (Spring 2021).

Discussion Points (Cont'd)

them a permanent part of our client teams. Advocates cost less than lawyers. Positions require a four-year degree with a preference for candidates with lived experience the criminal legal, mental health, or child welfare systems. The work also requires strong community ties or the willingness to build them. It is a pathway for New Jerseyans with lived experience to become a part of OPD's workforce. This is a two-year pilot. OPD's goal is to transition from a contract into provision of these services by OPD employees within that timeframe.

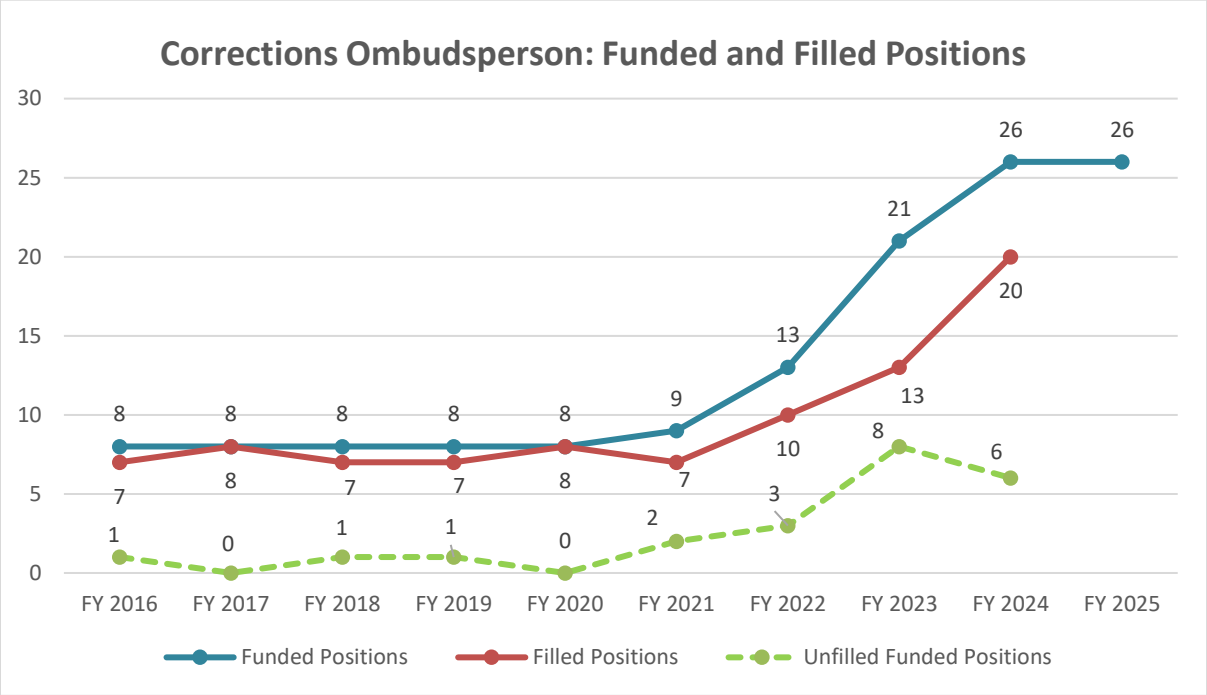
Office of the Corrections Ombudsperson

26. The **Office of the Corrections Ombudsperson** is responsible for providing a mechanism for resolving issues, complaints, and problems related to living conditions and other matters of inmates sentenced within New Jersey's correctional system. The Office of the Corrections Ombudsperson's 2022 Annual Report includes a strategic plan developed by the office to improve its oversight functions and the implementation of office responsibilities under the Dignity for Incarcerated Primary Caretaker Parents Act. The office's key objectives included: developing additional capacity to engage in systemic monitoring of prison conditions and operations, addressing individual requests for assistance from inmates, enhancing the office's on-site presence and visibility at prison facilities, and engaging the public through public meetings, listening sessions, and engagement with lawmakers.

The Office of the Corrections Ombudsperson's 2023 Annual Report highlights several key areas of progress in implementing the Office's strategic plan under the Dignity for Incarcerated Primary Caretaker Parents Act. These include launching a division for systemic monitoring of correctional facilities, hiring staff with healthcare expertise, increasing visibility and community engagement, establishing independent technology and office space, improving access to information, and receiving funding to hire investigators. In addition, the annual report notes that a priority for the office is to more clearly focus its resources on oversight activities and issues that directly impact the safety, health, and well-being of incarcerated individuals, rather than serving as a secondary or replacement grievance system.

In recent years, the State has provided additional funding for the Office of the Corrections Ombudsperson. Budget information indicates that the additional State funding has been used to hire additional personnel, thereby enhancing the office's ability to meet its statutory mandates. The chart below indicates that the number of funded positions for the office has almost tripled, from nine positions in FY 2021 to 26 in FY 2025.

Discussion Points (Cont'd)



- ***Questions:*** **Please provide an update on the Office of the Corrections Ombudsperson's continued progress in implementing its strategic plan. How have the additional staff and resources allocated in FY 2024 enhanced the Office's ability to carry out its mandate under the Dignity for Incarcerated Primary Caretaker Parents Act? What specific initiatives or activities has the office undertaken in the past year to further its goals of protecting incarcerated individuals from harm and examining potential systemic issues within the Department of Corrections? How has the office worked with the Department of Corrections to clarify roles and responsibilities in addressing individual grievances versus systemic concerns?**

- **Has the office filled the five new staff positions funded in FY 2024? If so, how were the additional staff deployed? Will the five new positions funded in FY 2024 provide the office with sufficient staffing to meet its current mandates? If not, how many additional staff does the office need to fulfill its responsibilities?**

  The Office of the Corrections Ombudsperson is in but not of (IBNO) Treasury and per statute is independent of Treasury. All answers below were provided by the Ombudsperson.

  In FY 2023, lawmakers increased the funding for the Office of the Corrections Ombudsperson to support 21 FTE staff members. During that Fiscal Year, the Office filled some, but not all of the vacant positions, increasing the staffing to 17 people, and leaving 4 vacancies. All 4 of these vacancies were filled in FY 2024. The FY 2024 budget added funding for 5 FTE positions, 4 of which have finalists selected who will be starting in May and June of 2024, include a clerk typist and three Assistant Ombudspersons. One vacancy remains for an Investigator position.

Discussion Points (Cont'd)

To fully operationalize the Office's mandate in the Dignity Act (P.L. 2019, c.288), there are significant areas of need, including: 1) phone coverage for our call center, 2) capacity for on-site prison oversight and complaint resolution for the incarcerated population, and 3) capacity for formal investigations. Each area of need is briefly detailed below.

Staffing already provided to the office in FY 2024 will go a great distance to addressing these needs, and the Governor's proposed budget for FY 2025 will more fully address the needs. Notably, the Governor's budget proposal also reflects union-negotiated pay raises for the 26 FTE positions already allocated to the Office.

1) **Call center phone coverage:** The Office receives 700-1,000 complaints each month from the incarcerated population and their loved ones, about half of which are made by telephone. Telecoms data for the Office show most people calling multiple times and getting a busy signal before reaching a live operator, and a large portion of callers not getting through at all. One of the positions funded in FY 2024 is a Clerk Typist who will start in May, whose role will be answering phone calls in the Office's call center, and triaging them for follow-up by Assistant Ombudspersons. The addition of that Clerk Typist will increase the call center staff from 3 to 4 people. The Governor's FY 2025 budget proposal includes funding for 5 student interns, paid hourly, who would add more capacity to the Office's call center, as well as a part-time Assistant Ombudsperson, paid hourly, who would answer calls from family members who have incarcerated loved ones.

2) **On-site oversight and complaint resolution:** The Office has six staff members assigned to oversee conditions of confinement in the state's nine prisons. Three of the nine prisons—Northern State Prison, New Jersey State Prison, and South Woods State Prison—have caseloads of complaints that are significantly (2-3 times) higher than the other prisons. The volume and complexity of these complaints require more resources to adequately address and resolve. Luckily, this need is mostly addressed by the staffing provided for in the FY 2024 budget, which includes funding for 3 additional Assistant Ombudspersons. In order to fully meet this need, the Governor's FY 2025 budget proposal includes funding for an additional part-time Assistant Ombudsperson, paid hourly, to help staff the state's largest facility, South Woods State Prison.

3) **Investigations:** The mandate to conduct formal public investigations is one of the most significant changes in the authority of the Office of the Corrections Ombudsperson under the Dignity Act. As a civilian oversight body, the Office must investigate incidents, decisions, inactions, policies, or alleged violations of law that may adversely affect the health, safety, welfare, or rights of incarcerated people. It is authorized under the Act to hold public hearings, subpoena witnesses and documents, and to compel testimony under oath. Many complaints and allegations can be looked into and resolved at a lower level with informal investigations and other actions that do not rise to a formal public investigation. To develop a strategic plan and approach to rolling out formal investigations, the Office intends to hire one Investigator to work with the Ombudsperson and his leadership team—this position was funded in FY 2024. A candidate has not yet been selected. Once that person is hired and a strategic plan has been developed, the

Discussion Points (Cont'd)

Office may want to propose a budget and staffing plan to support its formal investigations, or it may reallocate and train existing staff for this purpose.

In the past year, the Ombudsperson Office has launched and fully staffed a systemic monitoring division to conduct facility inspections, analyze trends, and engage with the Department of Corrections on potential changes to policy and practice that could improve conditions of confinement. The Office hired 2 staff members with health care expertise—one to field requests for help navigating health care services in state prisons, and the other to assess health care services system-wide. Assistant Ombudspersons in the Office's field division were physically present in the prison facilities an average of two days per week, totaling more than 800 on-site visits this past year (explained further below under Question 27). Assistant Ombudspersons used this time to tour housing and programming spaces, meet with incarcerated individuals, troubleshoot concerns with staff and administrators, and respond to requests for assistance. The Office also held evening town hall meetings with community members and families of incarcerated people in Newark, Paterson, Elizabeth, Jersey City, Long Branch, New Brunswick, Trenton, Camden, Atlantic City, and Millville.

Regarding role clarification and distinguishing the Office's independent prison oversight from the DOC's internal grievance system, the Office has begun communicating to the incarcerated population and their loved ones which concerns we can help with and which ones we can't. We aim this year to memorialize this information in policy, on our website, in electronic communications to the prison population, and in educational pamphlets.

27. According to the Office of the Corrections Ombudsperson's 2023 Annual Report, between September 1, 2022 and August 31, 2023, the Ombudsperson Office received 11,938 total contacts. About one in every ten contacts was a repeat request for assistance regarding a concern previously expressed to the office. The number of unique (non-duplicate) contacts to the office this past year was 10,604. In addition, the Visits and Phone Calls Report indicates that the office conducted fewer in-person visits to correctional facilities in 2023 compared to the previous year

- ***Questions:*** **Please provide a list of all in-person visits conducted by the Office of the Corrections Ombudsperson to correctional facilities in 2023, including the dates and locations of each visit. What factors contributed to the reduction in the number of in-person visits compared to the previous year, and how has this impacted the office's oversight responsibilities? When does the office anticipate posting the inspection reports from the 2023 visits on its website? What, if any, challenges or delays has the office faced in preparing and publishing these reports?**

- **What challenges or constraints led to the decrease in the number of in-person visits to correctional facilities by the Office of the Corrections Ombudsman in 2023? How has the office adapted its oversight and monitoring strategies to compensate for the reduced number of in-person visits?**

Discussion Points (Cont'd)

The Office of the Corrections Ombudsperson is in but not of (IBNO) Treasury and per statute is independent of Treasury. All answers below were provided by the Ombudsperson.

The answer requires distinguishing between three different data points: 1) the number of prison inspections, 2) the number of in-person contacts with incarcerated people, and 3) the number of days on-site for the Ombudsperson and Assistant Ombudspersons. Each is detailed below with explanations.

1) **Inspections**: The Dignity Act requires prison facility inspections under NJSA 52:27EE-28.2 with public reports published online and distributed to the Legislature and other government leaders. In FY 2022, the Office conducted 11 small-scale inspections. Each one involved an unannounced visit to a single housing unit at a prison and on-site observation of living conditions on the unit. In FY 2023, the Office took a different strategic approach, conducting 4 large-scale inspections. Each one was unannounced, went to multiple housing units including the disciplinary housing units, and involved in-depth surveys and interviews with the incarcerated population. They also involved reviews of records and data analysis. Because the data and the survey questions surfaced systemic findings across all four facilities, the Office produced two public reports describing those systemic findings: A report published in October 2023 (https://www.nj.gov/correctionsombudsperson/documents/ReportonRHUout-of-celltime_October2023.pdf) focused on out-of-cell time in disciplinary housing units, and a report published in April 2024 (https://www.nj.gov/correctionsombudsperson/documents/Special%20report%20on%20visits%20and%20phone%20calls_Corrections%20Ombudsperson_Final.pdf) focused on prison visits and phone calls. Publication of the second report was delayed in order to allow for the inclusion of data from all of 2023 related to visits, phone calls, and disciplinary punishments taking away visits and phone calls. The delay also allowed time for the Department of Corrections to finalize its plans to roll out a new initiative to provide the population with phone calls on tablets.

2) **In-person contacts**: Separate from prison inspections, the Dignity Act requires the office under NJSA 52:27EE-28.1 to address individual complaints/concerns from incarcerated people and their loved ones, resolving the issue at the lowest level possible. Many of these contacts reach the Office over the phone or by mail, and others are on-the-spot communications to the Ombudsperson or an Assistant Ombudsperson while on-site in a prison. The Office investigates and responds to many contacts with a follow-up letter, and when appropriate, the Office follows up with the incarcerated person face to face—particularly when a person's concern involves health and safety concerns. When the initial contact or follow-up from the Ombudsperson Office is in-person, it gets counted toward the in-person contacts in budget data reported to the Legislature. In FY 2022, the Office processed 12,411 cases, 1,117 of which involved in-person contact with the incarcerated person. In FY 2023, the Office processed roughly the same number of total cases (11,938) and in-person contacts (1,099). In FY 2023, the Office adopted a new case management system that enabled the Office to identify the number of "duplicate" contacts (cases in which the same person contacted the Office to follow up on a complaint already being

Discussion Points (Cont'd)

investigated by the Office). That allowed the Office for the first time to identify the number of unique (non-duplicate) contacts for the Office's 2023 Annual Report: 10,604. Unlike prison facility inspections, which result in inspection reports, individual complaints are addressed/resolved directly with the person involved and reported annually in the aggregate to the Legislature.

3) **Days on-site**: The Office assigns individual Assistant Ombudspersons to work on-site in a designated prison at least 2 days each week. This allows the Office to routinely observe living conditions and programming activity, and easily access uniformed and civilian staff, administration, and people who are incarcerated in order to understand and resolve concerns raised to the Office. A person may have multiple in-person contacts while working a day on-site. In FY 2022 and in prior years, the Office did not track how many days the staff spent on-site. In FY 2023, the Office began tracking this data. Because the Office's Annual Report is drafted in September, the data was collected and recorded weekly from September 1, 2022 through August 31, 2023. In total, the Office had staff on-site 808 times during that 12-month period, including 155 days at South Woods State Prison, 144 days at Northern State Prison, 109 days at New Jersey State Prison, 105 days at Edna Mahan Correctional Facility, 94 days at East Jersey State Prison, 80 days at Bayside State Prison, and a smaller number of days at the Department's treatment facilities: 9 days at the Adult Diagnostic and Treatment Center, 9 days at Mid-State Correctional Facility (drug treatment facility), and 5 days at the Special Treatment Unit. The table pasted below breaks these numbers down further, showing the number of on-site days at each facility each week:

		ADTC	BSP	EJSP	EMCF	GYCF	MSCF	NJSP	NSP	SWSP	STU
29-Aug	1	0	0	1	2	1	0	3	2	3	
5-Sep	2	0	1	1	2	1	0	2	2	2	
12-Sep	3	0	1	0	2	1	1	3	3	2	
19-Sep	4	1	1	1	3	1	0	2	3	1	
26-Sep	5	0	1	3	2	1	0	3	2	3	
3-Oct	6	1	1	1	3	1	0	2	3	2	
10-Oct	7	0	0	1	2	1	1	1	2	0	
17-Oct	8	1	1	1	2	2	0	2	3	0	1
24-Oct	9	1	1	1	2	1	1	3	2	4	
31-Oct	10	1	1	1	2	2	0	1	4	3	1
7-Nov	11	0	0	1	1	1	0	0	1	2	
14-Nov	12	0	1	1	1	1	1	2	4	2	
21-Nov	13	1	0	0	2	1	1	2	2	3	
28-Nov	14	0	1	2	1	2	0	1	4	3	
5-Dec	15	0	1	2	1	1	0	2	2	4	
12-Dec	16	0	1	2	1	1	0	1	3	3	
19-Dec	17	0	1	1	1	1	0	2	2	3	

Discussion Points (Cont'd)

26-Dec	18	0	0	0	0	0	0	0	1	3	
2-Jan	19	0	1	2	3	1	0	2	2	3	
9-Jan	20	0	2	3	3	1	0	2	2	4	
16-Jan	21	0	1	2	2	1	0	2	2	2	
23-Jan	22	0	3	2	3	2	1	2	4	4	
30-Jan	23	0	2	3	3	2	0	3	3	4	
6-Feb	24	0	3	1	2	3	0	2	4	3	
13-Feb	25	0	2	1	2	3	0	3	3	4	
20-Feb	26	0	2	2	2	2	0	2	3	3	
27-Feb	27	0	2	3	3	3	0	3	3	4	
6-Mar	28	0	3	2	3	3	0	1	3	4	
13-Mar	29	0	2	3	0	3	0	3	3	1	
20-Mar	30	0	2	2	2	3	0	2	4	4	
27-Mar	31	0	2	3	3	3	0	3	2	4	
3-Apr	32	0	2	1	2	3	0	2	2	3	
10-Apr	33	0	0	3	2	3	0	2	3	4	
17-Apr	34	0	2	2	3	3	0	2	4	4	
24-Apr	35	0	2	3	3	2	0	1	2	2	
1-May	36	0	3	2	2	2	0	2	4	4	
8-May	37	0	2	3	2	2	0	2	3	4	
15-May	38	0	3	2	3	0	0	2	4	4	
22-May	39	0	2	3	3	2	0	2	3	4	
29-May	40	0	2	1	2	2	0	2	2	3	
5-Jun	41	1	3	3	2	4	1	4	4	3	1
12-Jun	42	0	3	2	2	3	0	2	4	3	
19-Jun	43	1	3	2	2	2	0	4	3	4	1
26-Jun	44	0	3	3	2	3	0	3	5	4	
3-Jul	45	0	1	1	0	3	0	2	1	3	
10-Jul	46	0	3	2	3	2	0	3	4	2	
17-Jul	47	0	0	3	4	2	2	4	3	4	
27-Jul	48	0	3	2	1	2	0	0	4	0	
31-Jul	49	0	0	3	2	2	0	3	3	2	
7-Aug	50	1	0	1	1	2	0	2	0	4	1
14-Aug	51	0	2	2	2	2	0	3	2	4	
21-Aug	52	0	1	1	1	2	0	0	1	3	

Unclaimed Property Administration

Discussion Points (Cont'd)

28. In July 2023, the Unclaimed Property Administration (UPA) announced that it had returned over $200.0 million in unclaimed assets to New Jersey residents in FY 2023. The UPA is responsible for safeguarding unclaimed property turned over to the State and returning it to its rightful owners.

Additionally, the UPA announced in June 2023 that it would launch an expanded outreach campaign to reunite New Jersey's counties and municipalities with their unclaimed property. As part of this initiative, the Administration planned to proactively contact municipal and county governments that currently have unclaimed property being safeguarded by the State, which may include vendor checks, credit balances, and various other outstanding payments.

- ***Questions:*** **Please provide an update on the UPA's efforts to return unclaimed property to New Jersey residents in FY 2024. What amount of unclaimed property was returned in FY 2024 and how does this compare to the amounts returned in FY 2023? What strategies has the UPA utilized to increase public awareness of unclaimed property and to encourage residents to file claims? What challenges, if any, has the UPA encountered in its efforts to return unclaimed property to its rightful owners?**

  To date, the UPA has returned approximately $225 million to over 99,000 rightful owners, surpassing FY 2023's record of $202.95 million. The UPA continued its focus on reaching constituents in FY 2024 by attending over 50 outreach events throughout the state. The UPA also conducts several outreach projects throughout the year, in addition to its annual newspaper advertisement and social media outreach.

- **Regarding the new outreach campaign targeting counties and municipalities, how much unclaimed property does the UPA currently hold for these local governments? What is the total value of unclaimed property that has been returned to counties and municipalities in FY 2024 to date, and how many counties and municipalities received such property? What methods were used to contact each county and municipality? How does the UPA plan to measure the success of this expanded outreach campaign, and what metrics will be used to track the return of unclaimed property to counties and municipalities?**

  The UPA estimates it is currently holding $4 million in property for local government entities. In FY 2024, the UPA launched its municipalities outreach campaign by sending approximately 350 municipal specific notices to which over 200 municipalities responded. To date, $1.8 million has been returned with another $2 million currently in the process of being claimed. The UPA plans to conduct this campaign annually after the annual League of Municipalities event and the UPA's reporting season in November. The UPA's measure of success is based on the goal of reaching a 100% return rate; however, that is dependent upon campaign response.

Division of the State Lottery

Discussion Points (Cont'd)

29. In 2023, the New Jersey Lottery began offering online ticket sales for certain lottery games.

- ***Questions:*** **How many online lottery tickets have been sold in FY 2024 to date, and what is the total value of these transactions? How did the value of online lottery sales compare to in-person lottery sales? Has the Division of the State Lottery noticed that the people who buy online lottery tickets are interested in certain games? Has the introduction of online ticket sales increased the total revenues generated from lottery sales?**

  The New Jersey Lottery has not yet commenced online ticket sales.