**James DiEleuterio Interview**  
October 26, 2015

**John Weingart:** Jim, thank you for coming to Eagleton. Tell us about your career, just to start with, and how you got into government.

**James DiEleuterio:** Well, I actually started two weeks out of high school. I had gone to Cathedral High School in Trenton, and at the time, the state was having trouble attracting auditors, basically, because salary levels at state government level were very poor, compared to the private sector. So they developed what they called an auditor intern program. I joined that program, and did my college at night, at Rider.

**John Weingart:** So you were an intern, pretty much, while you were going through college?

**James DiEleuterio:** Oh, yeah. Yeah, I worked full time, and then went to Rider three nights a week, and then after I graduated from Rider, did my master’s at Widener University, down in Chester, and had a year of law school in there, and then, I like to say, came to my senses before it was too late. But I spent 32 years with the state, and most of that time—about 26 years—was with the Division of Taxation. And then, when Christie Whitman became governor, I was asked to move over to the Treasurer’s Office, and eventually became state treasurer.

**John Weingart:** Who was governor when you started your 32 years?

**James DiEleuterio:** Bill Cahill. Of course, working for the Division of Taxation, I wasn’t involved with the Governor’s Office very often, but... you know, it’s been a long career.

**John Weingart:** When did you get the positions where you were interacting with the Governor’s Office?

**James DiEleuterio:** Well, while I was still at Taxation, there were several situations where tax-policy issues were being discussed, and so I would go with the director. Sid Glaser was director for most of the time when I was an auditor, and then John Baldwin became the director. And so I had some interaction at that point, but mainly it was after I moved over to Treasury, and initially was Assistant State Treasurer for Tax Policy, and then ultimately became deputy treasurer, and then treasurer.

**John Weingart:** And the Treasury part started with the Whitman administration?
James DiEleuterio: Yes.

John Weingart: When Brian Clymer was treasurer?

James DiEleuterio: Right. Brian was treasurer, and asked me to come over to Treasury. And I did, and I’m obviously glad I did. <laughs>

John Weingart: And you were assistant treasurer?

James DiEleuterio: Initially, I was Assistant Treasurer for Tax Policy. And what they had done was kind of interesting. When Brian was treasurer, we created a panel of business and industry leaders around the state, and legislators. In fact, Senator [Peter] Inverso was part of our group. And we went through, tax by tax, and examined various aspects of state tax law, and what changes could be made, and where there were obvious loopholes that could be closed, where there were things that would encourage more business activity that could be done. And we did a lot of good things.

John Weingart: And this was an advisory commission?

James DiEleuterio: Yes. Yeah. And then we would initially advise the treasurer, who would then decide whether to take it to the governor and the legislature. And there were-- you know, during the Whitman administration, there were, depending on how you count, at least 47, 48 different tax-specific laws that ultimately made it through the legislature, and were signed by the governor.

John Weingart: And what were your posts, in addition to Assistant Treasurer for Taxation?

James DiEleuterio: Later on, I was asked to be deputy treasurer, when that slot opened up, and then ultimately Brian decided he was going to leave. And then-- actually, it was kind of a surprise that Christie Whitman asked me to be the treasurer, because you know, I had been a career guy, and typically that was a political appointment. But when I reacted with some surprise to the governor, she said to me, “Well, you know,” she said, “we’ve worked together for a couple of years now, and I enjoy working with you, and I would like you to be the treasurer.”

John Weingart: So you were treasurer from when to when?

James DiEleuterio: Ninety-seven to ’99, and then after that, was privileged to be asked to go up and take over the Sports Authority. So I ran the Meadowlands and Monmouth Park Racetrack, and the Atlantic City Convention Center, and that was a lot of fun.

John Weingart: And then you left at the end of the Whitman administration?
James DiEleuterio Interview (October 26, 2015) page 3 of 17

James DiEleuterio: No. Actually, I was still there for a while when-- after Governor McGreevey was elected. And then, after that, it was time to go.

John Weingart: Okay.

James DiEleuterio: <laughs>

John Weingart: What we’re trying to understand is the progression of the state’s fiscal health. And we’ve done a lot of interviews, and collected material in the archive from people involved in the Florio administration and the Whitman administration, who, for the most part, don’t have exactly the same set of facts; they have heavily overlapping sets of facts-- and to try to understand the state’s pension situation at the moment in the state, what the roots of the current situation are, and what the thinking was that led to this point. And I wonder if that’s not too general a question to take off on.

James DiEleuterio: No, it’s not too general, certainly. It defies a 30-second sound bite, though. <laughs>

John Weingart: We have lots of film. <laughs>

James DiEleuterio: And actually, I’m glad you asked me that, because when Governor Whitman first came in, there were some very serious fiscal issues facing the state, not the least of which was that every year, prior administrations had been balancing the budget with what we call nonrecurring revenue items. So, essentially, they were looking for pockets of money that might’ve accumulated in accounts around the budget-- selling off various assets, that kind of thing. And one of the basic principles in running a fiscal operation-- a fiscally sound operation-- is that you like to have enough revenue recurring each year to meet your recurring expenses. So that was one difficulty that we faced. And by the time Governor Whitman left office-- and I’ll come back to the pension thing. But by the time Governor Whitman left office, we had stopped using one-shot items to balance the budget. Our credit ratings had been upgraded several times. We had enough recurring revenue. We actually had-- when I left Treasury, there was a billion-dollar unrestricted surplus in the general fund. We had built South Woods State Prison. That was a billion-dollar expense item. So there were a number of things that had been accomplished, and, in fact, lowered taxes all along the way, not the least of which was that the state income tax was reduced by 30 percent, and thousands of folks had been taken off the roles.

So I think that there was a good fiscal record. Now, let’s come back to the pension issue. During that period, there had been a four-and-a-quarter-billion-dollar unfunded liability in the state pension systems, mainly from-- when the legislature would change pension laws so that additional benefits had been granted, typically
what would happen would be that an employee, for example, that had 25 years of seniority, if the benefit had changed, would have 25 years’ worth of credit for that benefit, that hadn’t actually been funded in the pension system, because the benefit had just been enacted. So that’s how unfunded liabilities accumulate in the pension system. Also, at the time, governments were not-- let me back up a second. Private industry that had pension plans for their employees were not permitted, under federal law, to pay more money into their pension systems than their expected payouts. And basically, that’s so that companies weren’t hiding profits in their pension plans. Well, governmental pension plans were not faced with that same restriction, so we were essentially overfunding pension systems, because we had to put a regular contribution and what they call post-retirement medical. So, basically, we were funding the medical benefits of retirees after they retire. So what we wanted to do was to change the plan so that we were only funding what was necessary to fund each year.

And at the same time, when we looked at the pension investments, there were pension investments which generally were stocks and bonds, and those types of investment vehicles, some of which had been valued several years prior. And at the time, if you recall, the stock market had done-- had been through a long bull run. So there was a lot of excess value in that portfolio that wasn’t recognized. So we said, “Well, rather than use up all of that excess valuation, let’s go back to the prior year, and value our assets as of the prior year.” Well, the value at that point was large enough that we could basically pay down that four-and-a-quarter-billion-dollar liability, and get it to a point where, instead of four and a quarter billion, we sold bonds for 2.7 billion, at a much lower rate of interest; and that four and a quarter billion had been, by law, being paid over 60 years, at eight-and-three-quarters-percent interest. So we went out and sold bonds, and the total all-in cost was around seven and... I think it was 7.2. So it was at a lower rate of interest for 28 years, rather than 60 years. And that four and a quarter billion in unfunded liability was turned into 2.7 billion in long-term debt, but again, over 28 years rather than 60 years.

Kristoffer Shields: The four and a quarter billion was not reflected in the state budget?

James DiEleuterio: It was what they call a footnoted liability. So when the state presented its balance sheet, down at the bottom was a note. And actually, I’m glad you mentioned that, because that’s another point that had to be dealt with. Down at the bottom was an asterisk that said, “Oh, by the way, the state owes four and a quarter billion in unfunded liabilities.” The GASB-- the Governmental Accounting Standards Board-- at the time had promulgated regulations that said, over the course of time, state governments-- well, all governments-- need to start moving those unfunded liabilities up to the long-term debt line. And granted, we did it
earlier than what was required under that GASB regulation-- but we accomplished what GASB desired. Now, after Christie Whitman left office, there was a situation where, under the McGreevey administration, bonds were being issued, and the Securities and Exchange Commission got a little nervous about how the state was presenting its debt picture, and came in and took a look, and issued a report, and said, at the time Christie Whitman left office, the pension funds were 112-percent funded. So they were overfunded, and that’s why the participants in the pension plan were told that they could take a pension holiday, so that those items could even out.

Kristoffer Shields: By “participants,” you mean the state and local governments?

James DiEleuterio: State and local, because it’s state, counties, municipalities, school boards...

John Weingart: And a “holiday”-- that they wouldn’t have to put anything in for that year.

James DiEleuterio: But, again, we repeatedly said to them, “Don’t get used to having this money, because ultimately you’re going to have to start making payments into the pension system again.” And in fact, employees were also given a break. Not totally. I mean, they were-- I think it went from five percent to three percent for most employees for a couple of years, and then went back to five percent. But what ultimately happened was the subsequent administrations, for a variety of reasons, decided that they weren’t going to start making the regular contributions, and that’s largely how the pension system got into trouble.

John Weingart: Some people point to the salary increase in the McGreevey era.

James DiEleuterio: I don’t know that it was the salary increase, as--

John Weingart: In the DiFrancesco year.

James DiEleuterio: Well, I don’t-- again, I don’t know that it was the salary increase, because, again, don’t forget employees pay their share.

John Weingart: Right.

James DiEleuterio: And yeah, there’s certainly an increase in the pension contribution from the employer side, based on salaries. But by the same token, there was... according to the figures that I have seen, during the McGreevey administration, if you take a look at all of the various government employers around the state, there was an increase of 10,000 employees during that period.

John Weingart: In state government?
James DiEleuterio: State and local.

John Weingart: In the pension systems.

James DiEleuterio: You know, so there were a number of factors that went into contributing to the problem that they currently have. But frankly, what it boils down to is, if they had started making the contributions when they should have, I think the picture would be a whole lot different now.

Kristoffer Shields: Going back to the decision to sell the bonds in the first place, as you’re faced with this situation, do you remember the conversations that surrounded that decision: where the idea came from and what led you to go down that road as a way to spread out the payment?

James DiEleuterio: Well, again, it became obvious that the possibility was there, that we could, in essence, refinance the debt at a lower rate of interest for a shorter period of time. And we took it. And again, when you look at the state’s balance sheet, yes, long-term debt increased by 2.7 billion, but the four-and-a-quarter-billion-dollar unfunded liability was eliminated. You know? And in fact, we were overfunding the pensions. So this-- what we call the Pension Security Proposal-- was an opportunity to fix several difficulties that there were with the pension system. And I-- given the same set of circumstances, I would do it again tomorrow.

John Weingart: Let me ask that. Given the changes nobody could foretell-- the tech bubble bursting, things like that-- if you had that knowledge, would the decisions have been the same?

James DiEleuterio: I believe so. Again, I’m-- the decisions would have been different afterwards, to the extent of recommencing the regular contributions, but the taxpayers at that time were, in fact, overfunding the pension systems.

John Weingart: Even including what you had mentioned-- you were hired at one point, and money was put in the pension system based on your salary at that point, and the benefit. Then the benefits changed-- the money necessary to keep your pension whole was being added by then, or not?

James DiEleuterio: Well, no, but that would have been taken care of by the 2.7 billion, because the 2.7 billion that was the result of the bonds was deposited, in cash, into the pension system. So, I mean, the urban legend that was created afterwards was that Christie Whitman took 2.7 billion out of the pension system. Just the opposite is true. All right? She put 2.7 billion into the pension systems.

Kristoffer Shields: You mentioned urban legend and that gets to the point that, politically, this ended up being sort of a tough sell, right?
James DiEleuterio: No argument.

Kristoffer Shields: Why do you think that was?

James DiEleuterio: Well, because-- I just took 10 minutes to explain it, right? <laughs> You know, it simply defies an easy explanation. It really does. You know? And I have 24 credits in accounting, and it just defies explaining to someone, particularly-- and this is certainly not to denigrate anybody-- but particularly people who don't have a financial background. And that's why we finally got to a point where we were saying, “Okay, we've refinanced the mortgage at a lower rate of interest for a shorter period of time,” and that's the easy way to explain the dollar end of the deal. But then you have to get into the idea that we had GASB regulations that we had to contend with. We had a number of different things, in terms of federal law, and how pensions were administered; that there were differences between how the state and private sectors dealt with their pension systems. Once again, had the normal contributions been started up again when they were supposed to, I think the situation would be a whole lot different.

John Weingart: So when they were suspended-- if that’s the right word-- and you said that was clearly for a limited period of time, was the time limit defined?

James DiEleuterio: Well, it was impossible to define it specifically to a period.

John Weingart: So it wasn’t saying, “Next year, you better have the budget”?

James DiEleuterio: Yeah. Because again, part of what you do when you’re managing a pension system is to have your actuaries come in and take a look at what your expected payouts over the next year are, and on and on and on. And when you’re talking 100,000 people that are in the various pension systems, it becomes very difficult to do that. I mean, certainly, we knew that it wasn’t going to last forever, and it probably would only last two or three years, and that’s what we were continually telling people.

Kristoffer Shields: Was there a repayment schedule for the bonds themselves?

James DiEleuterio: Oh, yeah. No, the bonds were sold like any other bonds, you know? And some of them were-- they were in various denominations, for various lengths, and in fact we were somewhat surprised at what the level of interest was out there for these bonds. I mean, it was overbooked when we were out there selling the bonds. In fact, two different publications-- Wall Street type publications-- voted that it was what they call the Deal of the Year.

John Weingart: I’m asking an impossible question, but what would’ve happened if there’d been a second Florio term? Because accounting’s one of the, maybe, dwindling number of professions that you don’t think of as being a Democratic wing
and a Republican wing. And so, presumably, a second Florio term would not have rolled back part of their tax increase that they’d put in place. But do you think, knowing the professionals in the state at that point, that the same kind of advice would’ve gone to the Florio administration?

James DiEleuterio: In terms of the pension?

John Weingart: Yeah.

James DiEleuterio: That’s an interesting question, and tough to answer, because obviously there were different perspectives. And if you compare the Florio administration to the Whitman administration, there were, in fact, different perspectives to it.

John Weingart: But everybody wanted the pension system to be intact for the future.

James DiEleuterio: Yeah. And again, you know, the Florio administration didn’t have some of the same difficulties, because GASB wasn’t coming out with a new regulation that said, “You got to move these things up to the long-term debt line.” There hadn’t been as long of a run-up in the stock market at that point, so the value of the portfolio was not as large, so there wasn’t as much of what they call excess assets. And again, that’s another reason that this is so difficult to explain, is that you can’t get through it without using terminology that three people on earth understand. So, now, I don’t know-- it’s tough to answer whether or not they would’ve been given the same advice. And had they even been given the advice, it’s tough to know whether they would’ve taken the advice.

Kristoffer Shields: As long as we’re doing impossible counterfactuals, what difference would it have made if Governor Whitman had stayed to complete her second term? Did that year make a difference? You seem to be saying that it was a longer-term decision, that perhaps it wouldn’t have made such a difference.

James DiEleuterio: Yeah. I mean, certainly, most of the things that Governor Whitman focused on were, in fact, longer-term ideas, and turning the ship, which obviously takes time and distance. So-- you know, I don’t want to say it wouldn’t have made any difference. Don’t forget, in the meantime, when Governor Whitman left office, it wasn’t too long after that that we had September 11th, and the state’s economy really took a hit. So there were a number of outside factors that-- I’m not sure how that would’ve influenced things. I mean, I can’t say enough nice things about Governor Whitman, because she was always so good to me. But-- and I agreed with just about all of her policy decisions. I mean, we used to laugh, because we would argue sometimes, you know? But I think the state-- if you look
at her overall record, I think the state was in much better shape, fiscally, when she left office than when she came into office.

**John Weingart:** One of the things we try to get at with the Center is the role of the governor as a person, and the style of the governor as a person.

**James DiEleuterio:** Well, once again, there are a couple of different things I like to point out to people. If you take a look at the state budget-- it may have changed since I left, but there were roughly 34,000 specific line items in the budget, in the various departments. And we would meet with the governor-- the fiscal year began July 1. Well, by October, we were already meeting with her on next year’s budget. And she reviewed every single one of those line items with us. And typically, you like to go out and say to the departments, “Okay, if you were king, what would you do, and how would you spend your money?” And we would walk in to the governor, and say, “Okay, Department of Human Services wants to spend X, and when we take a look at what we think revenues are going to be, this is what we think we can allocate to them.” And that X of all the various departments was usually about two billion dollars higher than the anticipated revenues. And so her job was pretty tough, to go through and-- we would review every single line item, and she would say, “Okay, you know, let’s go back and take a look at that particular one,” you know? So it took several months to go through that. The other thing I like to talk about with Governor Whitman is the fact that any time I would ever come to her with an issue that was popping up, almost the first thing she would say to me is, “Tell me what the right answer is. Then I’ll tell you how to play it, politically.” You know? And I think that speaks volumes of her personality and drive-- and intelligence, quite frankly-- that she was interested in doing the right thing for the state, and then we’ll worry about the politics of it.

**John Weingart:** In the discussions, the back-and-forth, on the budget, where would the Cabinet be in that discussion? You mentioned, in passing, the departments. So you would meet with the departments. Department of Human Services had a total budget that exceeded what you were going to be able to allot to it.

**James DiEleuterio:** Well, we would present both sides to the governor, and then basically walk away from that meeting with a set of questions to say, “Okay, let’s go back and investigate these three things a little further.” And then sometimes the Cabinet officers would disagree and come back to the governor, or come back to me, and say, “What are the chances of having this one-- this particular program-- make it to the next level of discussion?” So there was a fairly freeform exchange that went on. The meetings with the governor, reviewing each department’s budget, were fairly structured, and again, because there were so many departments, it would take several months to go through that process. But it was good from a number of perspectives: one, that it gave her very intimate familiarity

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with the budget; it also gave us our marching orders, in terms of where her head was at, and where she wanted to take the state; and then it also then provided opportunities for the Cabinet officers to either further engage with Treasury, or further engage with the governor, quite honestly, if they disagreed.

John Weingart: Would those meetings be preceded by briefing books that she would be given?

James DiEleuterio: Yeah. We would always prepare highlights of each department’s budget, and— in the Office of Management and Budget within Treasury, there are a number of folks that are absolutely wonderful. We couldn’t do this process without them. But they’ve spent their entire careers focusing on a department’s— you know, there were always a couple of people that specialized in Corrections. So they knew Corrections as well as anybody in Corrections, you know? And so they would present a list of issues. Sometimes they could see that the department really deserved extra consideration for this particular program, and they would advocate on behalf of the department. And so it wasn’t always an adversarial type thing, but again, the governor, by law, has to present a balanced budget. And at the same time all of that was going on, we were dealing with econometric models and things that were— where we were trying to project what revenues were going to be; and used some outside firms that had designed their own models. We also employed— at the time I was Treasurer, there was an economist that was employed in the Division of Taxation that specialized in revenue projections. And so, eventually, you would reach a point where revenues and expenses were fairly close to one another, and you’d nail down a budget and present it, because the governor usually presented the budget in late January, early February, and then we would go through several months with the legislature, where they would hold their hearings, both on the Assembly and the Senate side. And again, a lot of the same give-and-take, in terms of things that the legislators wanted to see in a particular department’s budget, and things that we— the governor and, by extension, the departments— wanted to see. So you would have your hearings at the legislative level. And the staffs— again, it’s difficult for people who don’t work in government to understand the role of the staffs, but the staffs, I have to say with some pride, on Treasury’s side and the legislative side, were absolutely wonderful, in terms of getting into the nitty-gritty and presenting information that might not be obvious from the way things are written up in the budget process. And somehow you got to a point where it all balanced out, and you said, “Okay, let’s go,” you know? And ultimately the legislature would say that, yeah, that we agree, and you’d enact a budget.

John Weingart: I was in DEP in many of those years, and it always seemed to me that the legislative hearings focused on the— I don’t want to say the “least consequential,” but financially, the least consequential; that legislative hearings
would get focused on tiny amounts of money, and things that involved large amounts of money would just go by and not be discussed. I didn’t know if that was your experience, in general.

**James DiEleuterio:** There was a vehicle that we used, where instead of getting bogged down in discussions about salaries and rents, and things that had eight, nine, ten digits in their balances, we did come up with the concept of interdepartmental accounts, where basically we would say to all the departments, “You don’t have to worry about rent. We’ll take care of the rent.” And then we would sit with the legislature, and if they wanted to go through the details of all the different DEP locations, then they certainly could do that. But that left more of an opportunity for the DEP Commissioner, at their hearing, to hopefully focus on policy issues. But—on the one hand, you could say, “Well, there wasn’t really enough time to go through some of the real details”; but by the same token, you don’t want to have the fiscal year take effect before you decide how you’re going to present your budget, either.

**John Weingart:** And the revenue projections— you had the Office of Legislative Services making a revenue projection in Treasury. That, at least, publicly wasn’t nearly as contentious then as it has sometimes been in recent years.

**James DiEleuterio:** That’s true.

**John Weingart:** Were you pretty close to each other?

**James DiEleuterio:** Generally, we would be pretty close to one another. There might be some small differences, because—there’s an old joke about whether it was going to be a socks-and-sweaters Christmas, and, of course, clothing is not taxable in New Jersey. So sales tax would be down if it was a socks-and-sweaters Christmas, as opposed to a VCR Christmas, you know? And so there were little discussions like that that went on, but quite honestly, I didn’t see any usefulness in long, drawn-out fights with OLS. I just couldn’t see it; not to mention the fact that I’ve known all those folks for years and years and years. So we generally—and I’m not going to say we never had our differences. We did. But I like to think that if David Rosen were sitting here that he would tell you the same thing, that we were always within a few million. And to paraphrase Everett Dirksen, a million here, a million there, pretty soon you’re talking real money. But yeah, I think we were—and again, when I was treasurer, I had the benefit of a good economy. So, you know, generally, revenue estimates were fairly high. I think that the— the Constitution is set up where the legislature appropriates, but the governor certifies revenues. So there is a bit of a tension there, that you say, “Well, you know, you can go ahead and appropriate $100 million, but if the governor only sees 10 million coming in, that’s what you’re going to end up with.” And another good thing, I think, in New Jersey’s Constitution, is the line-item veto, because again, if you look
James DiEleuterio Interview (October 26, 2015) page 12 of 17

at how New Jersey is organized compared to other states, we obviously have a strong executive. Frankly, now that I live in South Carolina, and I see what goes on down there, I like the idea that there’s one person that you have to convince of a policy issue, and there’s one person that decides that, “I’m going to certify revenues at this level.”

John Weingart: Does South Carolina have an elected treasurer?

James DiEleuterio: Yes. In fact, I was asked to run for treasurer in South Carolina, <laughs> and I turned them down.

John Weingart: You have any bumper stickers with you?

James DiEleuterio: Been there, done that. <laughs>

John Weingart: I think that’d be a very different role, though, if you’re a statewide elected official.

James DiEleuterio: Well, it’s kind of funny, because-- again, in New Jersey, part of the difference is the governor presents the budget. In South Carolina, the legislature presents the budget. And in fact, several of the state agencies down there report to the legislature. So it’s really different. It’s really different.

Kristoffer Shields: Being elected versus appointed changes the role a little bit, too, right? You mentioned that treasurer is often a political appointment, but of course you had a career in taxation.

James DiEleuterio: Very true.

Kristoffer Shields: How did that affect the way that you approached the job?

James DiEleuterio: Well, it’s funny. Even after having spent 26 years in Treasury before I became treasurer, there were still situations that I ran into as treasurer that I said, “I didn’t know we did that.” <laughs> So it’s a very complex agency, and I will tell you that I think a lot of what benefited me was the fact that-- I mean, I had a staff that I thank God every day for. They were absolutely wonderful folks, and I could say to somebody, “Here’s where I want to land. You know, come and see me when you’re ready.” And they would carry the ball and do what they needed to do, and come back when they were ready. And so, yeah, there may have been times, particularly in reviewing revenue estimates, that it was easier for me, because I had been around so long. But generally, I relied on staff members as much as any treasurer coming in would, I think. I certainly consciously tried not to let my biases from having been a long-term employee influence my decisions.

John Weingart: I would think it would’ve given you some credibility with the staff.
James DiEleuterio: I like to think so. I mean, I always felt that way.

John Weingart: Not just in Treasury, but in other departments, too.

James DiEleuterio: I always felt that way. I mean, frankly, it had only been the second time in 40 years that a career employee had been asked to serve as treasurer.

John Weingart: Oh, really?

James DiEleuterio: Yeah.

John Weingart: Who was the first?

James DiEleuterio: Bill Kingsley had been a Director of Taxation many moons ago, and was actually, if I’m not mistaken, was treasurer and Director of Taxation, simultaneously.

John Weingart: Could’ve been Senate President at the same time. Try to get a trifecta.

<laughter>

James DiEleuterio: Exactly. <laughs> But again, you know, I like the strong executive type, and the organization of-- you know, I had to worry about pleasing one person: Christie Whitman. And that’s what I tried to do. And my job was to make her look good, and to help her out as much as I could with what the agencies were doing. And that’s what we did.

John Weingart: May I ask you a question—we may edit this out, because it’s slightly off-topic-- about the state workforce and the people you’ve had working for you? Were there specific programs-- maybe the one you were in, as an intern-- that helped get good people into state government, and get them to stay there, or get several of them to stay there?

James DiEleuterio: Yeah, there were various types of intern-type programs over the years, in different departments, that helped. There were also things that happened just naturally, where there were some increases in salary that brought the state workforce, in large part, out of the Stone Age, in terms of how they were being paid.

John Weingart: Did it make it competitive with the private sector?

James DiEleuterio: I don’t know that it made it competitive with the private sector. I don’t think I could go that far. But certainly-- you know, it’s funny. With
the state workforce, in the various times we’ve studied this, it’s kind of like you’re either there for less than five years, or you’re there for life. There doesn’t seem to be too much in between. What becomes difficult, and I think the state is going to have to spend some considerable resources to analyze this, and decide what to do. During the Florio administration, for example, there were two early retirement programs, and it was a means to cut the budget and lower the workforce and everything. The Division of Taxation, during those two early outs, lost a thousand years of experience. And when you’re talking about the Railroad Franchise Tax, there’s probably no more than two people that have any idea of what the mechanics are behind that, and how that worked. At that time, we were literally sitting people down in front of a video camera, and saying, “Okay, explain to us what your job is.”

John Weingart: This is before they leave?

James DiEleuterio: Yeah, before they left, just so we would have some record of what it is that they did. And that becomes even more difficult in today’s day and age, where they’re talking about more changes to the pension system, and folks are thinking about leaving. You got to have somebody that knows where the light switches are, you know, and just knows how the day-to-day stuff happens. You know, the Governor’s Office and the Cabinet officers think the big thoughts. It’s the workers that get stuff done.

Kristoffer Shields: One of the things that we’ve talked a little bit in some of our previous interviews with other folks-- and I know you’ve moved to South Carolina, so I don’t know how closely you’re following New Jersey fiscal news at this point-- but I’m wondering if you have any perspective on the current state of New Jersey’s fiscal health, and what we could do to move forward, at this point. What’s going to need to happen in order to get back to a healthier place?

James DiEleuterio: Well, I like to think that the legislature and the governor are going to have to take a step back on a lot of the programs that occur in the operating departments and at least, at some point, say, “Time out. This is nice to have, but we just can’t afford to do it right now.” Because when you think about it, New Jersey has over 1,700 units of government that can affect your property taxes, between the state, the counties, the municipalities, the school districts, the fire districts, the library districts, right on the down the line, you know? There’s no room left out there to just say, “Okay, we’ll do this, and we’ll just increase taxes.” You can’t do it.

John Weingart: Do you think consolidating, decreasing units, would have a significant impact?
James DiEleuterio: I think that’s one idea. I mean, there was some serious talk several years back about eliminating counties. Frankly, I’d prefer to see them go the opposite way, and eliminate some municipalities -- not that these become panaceas, but there are probably a lot of counties in New Jersey that can handle law enforcement at the county level, and fire services. I think some of our counties have upwards of 60 or 70 municipalities in them. That’s-- I just don’t know why you need 60 or 70 police chiefs and fire chiefs, you know? And I don’t want to pick on law enforcement, but, I mean, there are probably any number of examples-- positions within those governments. School superintendents is a perfect one. You know, I just-- I don’t know whether it’s still the case, but at one time we had school districts in New Jersey that had no schools.

John Weingart: That’s still the case.

James DiEleuterio: I mean, that’s-- it’s insane. How can you justify that?

John Weingart: You left the state government at the end of--?


John Weingart: 2002?


John Weingart: And then did you immediately go to South Carolina?

James DiEleuterio: Well, I was doing some consulting work, and unfortunately I was in a head-on collision in ’05, and then, shortly thereafter, decided that I couldn’t take the winters in New Jersey anymore. <laughs> So that’s when I went down to South Carolina, basically for the climate.

John Weingart: And what have you been doing there?

James DiEleuterio: A little political work, and again, still some consulting. But that’s slowed down considerably, and that’s okay with me.

John Weingart: “Political” meaning for candidates?

James DiEleuterio: Yeah. You know, I like Tim Scott, the senator from South Carolina. I met him when he as being appointed to fill the rest of a term. And so that keeps me busy.

John Weingart: What should we have asked you about that we didn’t, or what would you add to the discussion?
James DiEleuterio: Anybody that’s doing research on state governments, I’m a very large proponent of a strong executive. And I like the idea-- I don’t like electing Cabinet officers. I don’t like electing judges. I don’t like electing-- you know, I mean, there’s one person that we elect, statewide, in New Jersey. That’s the person, if you don’t like what he or she is doing, you vote them out in the next election. And again, from my perspective, it was wonderful, because when I would make decisions on fiscal policy or the budget, I had one person to be concerned about.

John Weingart: There was a lot of talk from a lot of directions about the possibility of Christie Whitman running for president or vice president, at some point.

James DiEleuterio: She would have my vote.

John Weingart: Was that a factor in any discussions?


John Weingart: She says she never took it seriously, because she knew a pro-choice candidate was not going to be picked by the Republican Party. But some people around her, I think, did take it seriously.

James DiEleuterio: Well, again, I think people-- because of some of the things I mentioned earlier in the interview, people that would get to know her, who-- let’s face it: There are people out there who are one-issue voters. You’re never going to get them, you know? But people who are not one-issue voters, that got to know her, I think, could look past that, and decide that-- you know, that whole idea is one of the problems we have now. The sides are so polarized-- both sides are-- they’re going to get whatever they want, or they’re not going to play. And I can look back to the days in New Jersey when the Democrats and Republicans would fight like the dickens on the legislative floor, and then everybody went and had dinner together. Yeah, they were political opponents, but they had respect for one another, and they were friends. Now, for the most part, they not only don’t like each other, they don’t trust each other. And that’s not just in New Jersey. I mean, that’s at the federal level, as well. So I think that’s one of the difficulties. But I think it’s interesting to go around to the different states and see how each of them are organized, and how they get the business of government done on a day-to-day basis, and how politics enter into it, or don’t enter into it. And it’s important to keep that in mind, you know? At the federal level, everybody’s talking about blowing up the IRS, you know? Well, I had a boss at Taxation once that used to say, “If I was starting a new state government, I don’t know what the first agency I would create, but I know what the second agency is that I would create, and you got to collect the revenue to keep the lights on.” And yeah, you may want to go in and change the IRS from top to bottom, but you’re not going to blow up it up.
John Weingart: Yeah. That’s interesting. Well, thank you very much for doing this.

James DiEleuterio: I enjoyed it.