

APPENDIX

**Testimony of
John W. Rogers, Jr.
Chairman, CEO, & Chief Investment Officer
Ariel Investments**

**Before the
Joint Committee on Economic Justice and Equal Employment Opportunity
New Jersey Legislature**

January 7, 2020

Chairman Rice, Vice Chairman Wimberley, and members of the Joint Committee on Economic Justice and Equal Employment Opportunity, thank you for inviting me to speak with you. I would also like to recognize John Harmon, the Founder, President and CEO of the African American Chamber of Commerce of New Jersey for his strong leadership.

My name is John Rogers. I am the Chairman and CEO of Chicago-based Ariel Investments, founded in 1983, the first African American owned asset management firm in the country. I am the product of two pioneering parents – my father was an original Tuskegee Airman, and my mother was the first African American woman to graduate from the University of Chicago Law School in 1946.

Fast forward to today: the economic prospects of the black community have stalled or even gone backwards. For example, Ray Boshara of the St. Louis Fed reports that between 1992 and 2016, college-educated whites saw their wealth soar 96 percent while college-educated blacks saw theirs fall 10 percent.

We are here to discuss asset management, one of the largest sources of wealth, power, and jobs in today's economy. Of the wealthiest Americans on the 2018 Forbes 400 list, over 30 percent generated their wealth in financial services or real estate. The top three private equity firms control over two million jobs.

Asset management offers a stark reminder of the obstacles preventing people of color from fully participating in our capitalist democracy - even in 2019. Your committee oversees the country's largest banks. The four largest hire hundreds of asset management firms to invest nearly \$1 trillion across three pools of assets: their own corporate pension plans, their own 401k plans, and

externally managed wealth management platforms. You can essentially “round down to 0” the assets managed by diverse firms across those three buckets.

There is no shortage of high-performing diverse-owned firms. Vista Equity Partners is one of the best performing private equity funds in recent years. Brown Capital was named Morningstar Manager of the Year in 2015. And our Ariel Fund is the top performing fund in its category since the financial crisis. Yet, when compared to the largest asset management firms, we are essentially rounding errors. Vista, the largest black-owned private equity firm according to Black Enterprise, is less than 1% the size of BlackRock, which manages over \$6.5 trillion.

As Reverend Jackson says, ‘baseball became a better sport when Jackie Robinson was allowed to play.’ The financial services industry is well-served by dynamic leaders such as Eddie Brown, Mellody Hobson, and Robert Smith who are job creators, philanthropists, and important role models in our community. Of course, we all saw Robert Smith commit to erase the student loan debt of the entire 2019 graduating class of Morehouse College.

I offer three thoughts on why barriers persist in the asset management industry. First, there is a tendency to work with people you know and with whom you are comfortable. Second, due to implicit or unconscious bias, many do not think of black leaders as successful money managers. Third, many banks, corporations and non-profits have embraced well-intentioned supplier diversity programs emphasizing construction, catering, janitorial services, and other commodity-related fields. However, this approach excludes us from the parts of the economy where wealth, power, and jobs are created today, such as asset management and other professional services. I would go as far as calling it a “modern-day Jim Crow.”

I would recommend asking institutions under the purview of this committee to implement three solutions. First, I support the proposed legislation adopting the “Rooney Rule,” requiring banks and other entities to consider diverse-owned firms when aiming to fill new investment mandates. Second, measure all spending by specific category including asset management and other professional services, and replace the term ‘supplier diversity’ with ‘business diversity.’ Third, CEOs and their management teams can be held accountable by this committee for providing meaningful transparency and making measurable progress.

In closing, tackling economic inequality through business opportunity is more important than ever. As Dr. King predicted, African-Americans could only be liberated from the “crushing weight of poor education, squalid housing and economic strangulation” by being “integrated with power into every level of American life.” Thank you.

New Jersey State Senate Prepared Statement
January 7, 2020

I am Jacob Walthour, the co-founder and Chief Executive Officer of Blueprint. On behalf of the employees and partners of Blueprint Capital Advisors, I want to thank you for the invitation to address the esteemed co-chairs and members of the Joint Committee on Economic Justice and Equal Opportunity.

Blueprint is the only known African American asset manager domiciled in the State of New Jersey and one of few woman or minority-owned firms to ever have the privilege of managing a portion of the State's pension fund. I assume that our presence was requested today because some of you have learned about Blueprint's seemingly endless quest with the State of New Jersey's Treasury and Division of Investment to achieve economic justice or fairness for Blueprint and its principals.

I am a longstanding resident of South Orange, NJ and career investment management professional. Over close to 30 years I have provided advice, guidance and services to many state and local pension systems as a consultant and investment manager and for a part of my career I also worked for the State of New York where I was involved in the management of its pension fund. There, I created its first diversity program back in the early 90's and I am proud to say that the fund's performance has benefitted and the state employs dozens of woman and minority-owned investment managers. The assets are now in the billions allocated to these firms.

I come today not just as an investment manager but a resident of the State of New Jersey. I have lived here for over 20 years. I own a home and pay taxes here. I have raised five kids here. I vote here and I now own a business here. Like most Wallstreeters, I use to only concern myself with whether the trains were running on time to get me to and from Manhattan. For twenty years I commuted through neighboring Newark. I read about and watched many buildings go up downtown and read news reports about the rise of the "brick city." However, I noticed that when I drive to church every Sunday, I notice negligible if any change going on in the black neighborhoods of Newark. I invite you to drive down South Orange Avenue, a major Essex County thoroughfare, any time of day to witness the economic pain going on in our major cities. Perhaps we can even walk a few blocks from here in Trenton and witness what I am referring to.

The sad reality is that while we enjoy an economic boom on a national level many of our cities and neighborhoods in NJ inhabited by ethnic minorities are suffering from economic depression. The truth is that 80% of the poorest zip codes are inhabited by black and Hispanic residents as the majority. Young people are fleeing the state because they can't come home and find well-paying employment. Homeownership continues to decline, and gentrification is on the rise. The wealth gap between white New Jersians and Black New Jersians is

embarrassingly wide. On a national basis the average white family has a median net worth of \$127k. On a national basis black and Latino families have a median net worth of \$9k and \$12k, respectively. Meanwhile in New Jersey, the median net worth for white families is \$270k while that of black and Latino families is \$6k and \$7k, respectively. These are the kind of numbers you see in Alabama, Mississippi, Louisiana and Kentucky. And, I want to be clear that this is not an exaggeration. While NJ is number 2 or number 3 in terms of per capital income and wealth, that income and wealth is not evenly distributed. Income inequality in New Jersey, or the gap between the rich and poor, now ranks 12th-highest in the nation. Kentucky, Georgia, Alabama, Mississippi, Florida all have identical Gini Index reading to that of New Jersey which says to me that in 2020 a black or Latino American worker is no better off in New Jersey than they are in Mississippi? As a resident of this state, I am embarrassed. As an African American I am hurt.

The gap is most pronounced where I live in Essex County. Home to both Millburn, which has one of the state's highest median household incomes at \$190k and Newark, which has one of the state's lowest at \$19k. That's 10 times!

Governor Murphy's said at his inauguration that "The work of our administration will be about you, your families, and your communities. We will never lose sight that we are one state and one family, with different beliefs but common dreams, and that we do not succeed unless we all succeed. To that I say, Governor are you serious? There are two New Jerseys!

U.S. Census Bureau statistics reveal there are 79,243 people living in poverty in the city of Newark. The population is 280k. That means almost 1/3 of the population is living in poverty. Only 22% of property is owner-occupied. 15% have college degrees. Per capita Income \$19k. The unemployment rate is 130% of the national average. The only thing higher in Newark than 20% is the unemployment rate at 28%.

This ladies and gentlemen is what I call the "Great Myth About New Jersey." Contrary to popular belief about the leafy Northeast, left leaning "blue state" the truth and reality is that this state has not been any more supportive of its poorer residents including African Americans economically than the Southern "red states."

Now I do agree with Governor Murphy's statement that "A stronger and fairer New Jersey is rooted in an economy that creates better jobs and provides higher wages ... that creates places where industries can grow, and communities can rise." I agree 100%. As a resident, as an African American and as the chief executive of a minority and woman owned business enterprise that statement was music to my ears. And I danced. I danced for two years. But sadly, the music has stopped, and the work of your committee is as important as ever.

When we opened our office at 45 Academy Street in Newark, we were so excited. I personally had seen this movie before. I grew up in a small economically depressed town in upstate New York. Neither of my parents ever graduated from high school. One had 8 siblings and the other 9 siblings – none went to college. My parents decided when I was 13 years old to open a business and they achieved tremendous success over 35 years. Yes. There were always two

Cadillacs in the driveway. Yes. We were able to move out of the 3rd Ward. But that wasn't how we defined success. We defined success by how we impacted the community. We gave hundreds of kids their first job. We gave the formerly incarcerated another chance. We employed adults with special needs. We fed the elderly and homeless. We paid for funerals when families couldn't. We made loans for house down payments – with no documents I might add. We bailed folks out of jail that had been wrongfully accused. We funded basketball teams. We bought toys at Christmas. We rented apartments below market rates. When the community needed us we could provide because we had profits and we had compassion.

So, when we moved to Newark not only did, we have a Blueprint for Blueprint we had a Blueprint for Newark. We met with the mayor and county executive and received a tremendous response to our plan to employ Newark public school children and Rutgers and Essex County College students with paid internships. We were bringing higher wage jobs typically seen in New York City where you have thriving banking and asset management industries. We would fund local charities and other community programs and bring expertise that could help other minorities start and scale businesses. And, I am proud to say we are currently working with McKinsey, the global consulting firm, on a business accelerator for Newark that can be a model for inner-city, minority communities across the country.

Sadly, I must report that we have done all of this not with the state support but in spite of the state. We have run headfirst into the “The Uncomfortable Truth” and we can now support what that report says about New Jersey. As Renee Koubiadis, executive director of the Anti-Poverty Network of New Jersey has said that racism “operates as a perpetuating force and serves as a resistance to change in the historic distribution of wealth.” Her report further said that “Structural racism inhibits the opportunities available to people of color to be productively employed, accumulate wealth and achieve financial stability.”

On Wallstreet there is a saying that, “the numbers don't lie.”

New Jersey's population is 50% female. 13.5% black and 13% Latino. However, less than 5% of external assets are managed by MWBE firms. Relative to other states that care about diversity in the execution of their pension New Jersey is 25-30 years behind its peers. To my point about the numbers.... our neighbor right across the Hudson River has over \$20 billion invested with MWBE firms or 10% of its total assets. In contrast approximately 4% of New Jersey's fund is invested with MWBE firms? The numbers don't lie. In 10 years, the New Jersey Fund has hired three MWBE managers. Again, the numbers don't lie. There are 14 SIC members and not one female appointee. Again, the numbers don't lie. There has not been one African American or Latino investment officer in over 10 years. Again, the numbers don't lie. In the last two years, I do not believe that even one new MWBE firm has been approved for direct investment. Again, the numbers don't lie.

We have a problem. But even worse we don't have a solution. The disparity here is telling and if we don't hire more women and minority investment officers things will not change. If we don't appoint more women and minorities to the SIC things will not change. And, I am afraid

that unless there is a legislative imperative expressed in terms of goals and timelines, things will not change. Further, if we do not have change the state will suffer in two ways. First, its pension plan will underperform. The truth is that woman and minority managers have strong performance and when they are overlooked and not allocated to the state misses an opportunity to perform at higher levels. And, when the state's pension doesn't perform we know who makes up the difference - employees and taxpayers. Second, our communities suffer. Asset management businesses are very profitable enterprises and they have the ability to put minority communities on more solid economic footing as their profits are distributed to churches, non-profits, internships, jobs and business investment.

We are in effect standing in our own way in the quest to right the economic injustices of the past and level the playing field for all in NJ. And, as African American money managers and residents we are not asking for preferential treatment. We are asking for fairness and equity and an opportunity. I will share with you that as a company our experience with the State has been far short of fair and lacking in equity. And, I often ask myself why is Blueprint being treated this way? The answer gets back to the uncomfortable truth. This state has a race issue. You know it. The answer is what are we going to do about it. Are we going to keep accepting it or are we going to bring about real change? Are we going to continue paying lip service and placating or are we going to bring about real change?

We are in dire need for leadership on this issue. There is an old saying in the African American community and please allow me to paraphrase. Those who don't know their history are condemned to repeat it. What most don't know about the state of New Jersey is that the state rejected the 13th Amendment to the US Constitution. Yes. The Northern state that fought for the Union in the Civil War did not approve the very amendment that abolished slavery. Ultimately, it did vote to approve the amendment but only after it voted to enact laws that allowed New Jersey to keep its slave for 25 more years. In my view, the nation's legacy, and this state's legacy are largely responsible for these inequities. Responsibility for fixing them belongs to us.

Thank you for the invitation to appear today and I am happy to answer any questions.

Jacob Walthour, Jr.
Chief Executive Officer
Blueprint Capital Advisors
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Mike Anderson



MPAC Solutions is committed to serving New Jersey's 63,000 Black, and 240,000 women & minority businesses. At present, diverse businesses access around 5% of statewide contracting spend. Black businesses receive zero sustainable investment dollars that our diverse employee base has worked tirelessly to create. Discriminatory investment funds, limited partners, and institutional investors that receive state financing comprise an incestuous elite that has systematically maintained barriers to scaling diverse business development. As a result, most minority businesses are single-person employers. If minority business employment levels were operating at the same levels as white male owned-firms, New Jersey's diverse businesses would add 1.6 Million jobs over the next 3 years. Black businesses in particular, earn on average \$400,000 less annually than white firms. At parity, NJ's Black businesses would create over \$25 Billion taxable revenue annually.

At a time such as now, a diverse revenue base is exceptionally relevant. According to the Philadelphia Federal Reserve's latest release, New Jersey is 1 of just 6 states expected to experience noticeable economic declines in the second half of 2020.

A gross underrepresentation in business compounds New Jersey's extreme social disparities, with disastrous implications for our youth. Jersey's Black boys and girls are 31 times more likely to be imprisoned than White children, meaning the future will not be brighter by osmosis. How dare we celebrate Dr. Martin Luther King Jr. two Mondays from now, if we do not put in perspective that New Jersey's disparity in Black youth incarceration is twice as egregious as the next closest state, and 6X the national average? Our children bear the brunt of economic injustice. This is the dream of no respectable man or woman. Make no mistake, lack of access to capital and resources means that to even execute a normal purchase, such as buying a car, Blacks are subject to 110% to 450% greater markups than white borrowers with same credit risk.

Despite the monumental level of discriminatory treatment, Black companies employ about 1 Million people across the nation. Black businesses are more diverse than any other businesses in America, and have invested enormous resources in the Black community when no one else would. Predatory and discriminatory relationships have cost our community over hundreds of Trillions of denied and or extracted resources, resulting in 1.4 million fewer businesses, 6 million jobs, and a Quadrillion dollars of net worth. How big would America's artificially low \$20Trillion domestic economy loom if we were not severely disenfranchising millions on arbitrary indicators of performance?

In perhaps no other industry is race-based discrimination such a factor than the \$70Trillion world of asset management. In this game, nearly \$100 Trillion of capital could be deployed into diverse business owners and communities. Hence, the influence that beneficial institutional investors have on the entire chain of financial intermediation, capitalism, and even society cannot be overstated, as just 1.3% of \$70Trillion is managed by non-white males. As evidence, August 2019's Stanford SPARQ study found that Asset allocators have trouble gauging the competence of racially diverse teams. Racially diverse teams face bias at the top. At stronger performance levels, asset allocators rated white-led funds more favorably than they did black-led funds when

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evaluating investment skills, competence, and social fit. Meaning, the better Black-male managers perform, the less favorable he is viewed by an institutional asset allocator. Statistically, higher returns on investments make a Black male manager appear potentially more threatening, and thus less attractive to gatekeepers of capital.

While the problems are many, I have come to offer actionable solutions via MPAC Solutions. In this state, we were recently awarded as a STEM Innovator for our work in creating a digital and events platform that has catalyzed some of the world's most impactful, diverse, founded and focusing Movements, Ventures, and People. MPAC is the obvious choice to programmatically partner with Public, Private, and Philanthropic partners including the State of New Jersey in order to help more women and People of Color gain access to business development and the necessary capital.

MPAC utilizes financial technology to make it easier and less costly for underserved entrepreneurs, funds, and institutions to create diverse inclusive wealth. MPAC offers a solution to Corporations, Governments, Sports Teams, Universities, Investment Funds, NGOs, or any other ecosystem builder seeking to create fair opportunities for women and minority businesses. Our digital partnerships represent the most prominent minority incubation network in America. We ask the State of New Jersey to allocate capital to creating a sustainable business and financing environment for all. At present, our tax dollars are being allocated to investment funds that invest in no ways reflective of the state's population or business community. As of yet, no investment fund or digital platform that our state invests in through Economic Development has served to create a semblance of social equity. When New Jersey's \$80 Billion Division of Investments Assets Under Management is deployed into vehicles, funds, and companies, reflecting the entrepreneurial demographics of the state, millions of families and businesses will finally be able to have a legitimate chance at growing in the Garden State.

MPAC is the diverse business 1-stop shop, superstore, and events platform that will help New Jersey exceed expectations regarding increased access to business development resources, diversifying Government contracting spend, and leading all our businesses to private sector finance, structural mentorship, and the tools that enable the growth we need to ensure our state is competitive. MPAC is prepared to be the digital intermediary that sources, identifies, vets, and accelerates thousands of businesses at scale, democratizing access to the American dream for all our entrepreneurs and investors.

Bigger than any individual request, New Jersey must adopt formal policy stating 30% of the Division of Investments Assets be managed by Diverse funds, invested into diverse companies, and 30% of contracting spend be allocated to women and Diverse managers. We need formal policy decreeing State and Local spend must reflect the demographics of the community, and people that do the work to make New Jersey great. I leave you with a question. If Grandma works 30 years to receive a pension, and that pension has only grown at 0.1% a year because it gave all her money to companies and investors that looked like the the previous 400 years of power, and those companies don't employ or invest in her grandchildren, no matter how deserving, how is our state adhering to its fiduciary duties to return investment?

Testimony for Joint Committee on Economic Justice and Equal Opportunity by C. Williams ©2020

My name is Clarence Williams and I am honored and humbled to have been asked to be here today and participate in this meeting convened by the Joint Committee on Economic Justice and Equal Employment Opportunity of the New Jersey State Legislature. I applaud the leadership of its Co-Chairmans Ronald L. Rice and Benjie Wimberly. Let me also say (as a disclaimer) that my remarks are mine and mine alone and may not align with my employer or organizational affiliations.

I currently serve as the President of the NASP-NY Chapter. NASP was founded in 1985 to promote inclusion in all aspects of the financial services industry. To digress; How fitting in light of the fact that financial services is one of the major sectors of New Jersey's economy along pharmaceuticals, telecommunications, food processing, and tourism? Today, NASP has grown into an organization of more than 500 members and has several chapters in major cities/regions throughout the country. More information can be found at NASPHQ.ORG.

I work at a minority-owned and veteran-owned asset management firm called Semper Capital Management and have been in the financial services industry for over 20 years. Like many of us, I know that if it wasn't for someone giving me a chance to be in this business, in another words opening a door, I would not be here today.

It's about opportunity and access and we all have to work together in order to be successful. And guess what, we all win!

This committee has done something very special today just by having this hearing. Similarly, the Garden State Minority, Women and Veteran-Owned Business Summit that Hester Agudosi and her team at the New Jersey State Treasurer's office held on September 20th was also special.

One of the many takeaways for me from the Summit was that it was a clarion call which said; We are open for business and we want to work together and build partnerships that will continue to benefit us all.

As we all know, numerous studies have shown that better decisions are made among groups that are diverse versus those that are not.

Moreover, in my business (money management) where we seek to invest money to earn a return on that investment for our clients; Smaller and diverse firms perform just as well and in many cases better than nondiverse firms in the same style or strategy of investing.

Yet less than 1.1% of the \$71 trillion are managed by diverse firms according to a 2016 report from Bella Research Group and the Knight Foundation.

Clearly, some door opening is needed here. One entity that is doing just that is the Kresge Foundation. The Michigan based Kresge Foundation announced last April that by 2025, 25% of its US assets under management will be invested in female and diverse-owned firms. By doing so, Kresge is aligning their own hiring practices and investment program with its core values to create opportunities and open doors.

A final point on door opening that will hopefully resonate with this body.

In October, I attended the hearings sponsored by the special committee on pension investments of the Illinois General Assembly in Chicago. Over the course of two days, several of the large state and municipal pension funds based in Illinois report annually on their progress in hiring and retaining diverse managers as well as their own employment and broader procurement practices. This committee has been having these hearings for 18 years.

Speaking of time, I will close with this personal story about opportunity and what it means for all of us. In 1955, a high school student from North Carolina came to Atlantic City looking for summer work on a tip from his high school teacher who made the trip annually to work as a bell hop at a hotel.

This young man rented a room from a woman who owned a large house on Virginia Avenue along with several others from the same hometown in North Carolina. Shortly after he arrived, he along with some

Testimony for Joint Committee on Economic Justice and Equal Opportunity by C. Williams ©2020

of the others were talking on the porch one night. During their conversation, it was mentioned that there was a job opening for a dishwasher at Betty's Restaurant downtown. Anyone who is interested should go to the restaurant the next morning and inquire about it.

As it was getting late, the young men went to their respective rooms to retire for the night. One of them decided to go to Betty's Restaurant that night.

He knocked on the door and the owner somewhat startled opened the door and let him in. When the young man told him he was there about the dishwasher job, the owner was so impressed that the young man came that night as opposed to waiting until morning that he hired him on the spot.

The young man who got that job is my father and he would work at Betty's Restaurant through high school and college. He even got promoted to work in the pantry making salads and sandwiches.

Keep in mind this happened before the Voting Rights Act of 1965 or the Community Reinvestment Act of 1977 since after all this is where folks know something about legislation and laws.

So I share this true story about door opening because we need more Betty's Restaurants today. But once we open the doors we also need to be ready for the opportunity.

I sincerely thank you for allowing me to be with you here today and let's open some doors.

**Legislature Joint Committee on Economic Justice and Employment Opportunity
Hearing Testimony**

Good Morning and thank you to Senator Ronald Rice, Assemblyman Benji Wimberly, and the committee for the opportunity to testify today and thank you for convening these very important hearings. Despite having served in the Governor's office many years ago and having attended numerous legislative hearings, I've never testified before. I chose to do so today because I believe, and the data shows, that economic inequality and the racial wealth gap are at crisis levels.

According to the Census Bureau, economic inequality is at its highest level since the Census started tracking it. The racial wealth gap is devastatingly high and it gets worse every year. The median wealth for white families is \$171,000, compared with just \$17,600 for black families. Even more disturbing, according to the Economic Policy Institute, nearly 1 out of 5 black households have zero or negative net worth. This is unacceptable. It is destroying urban communities and lives.

From the failure to properly oversee the Freedman's Saving and Trust Company, more commonly known as the Freedmen's Savings Bank, to federal regulators continuing to look the other way right now while banks refuse loans to qualified Black and Hispanic entrepreneurs; make no mistake, this is a crisis of our nation's own making. According to a 2019 Kellogg Foundation funded study, better-qualified Black and Hispanic testers who shopped for small business loans at bank branches were treated worse than less qualified white testers. This crisis will continue to worsen unless we have decisive, immediate, and concrete government action. I believe that New Jersey can be a model for the rest of the nation if we have the will and the vision.

I am an entrepreneur and have been in business for nearly 14 years. I run a socially conscious communications and marketing agency in Jersey City. I employ 5 people, 4 of whom are people of color and 3 are black women. The majority of our clients are nonprofits, government, entrepreneurs, or companies who share our philosophy that you can do well by doing good. It is not the most lucrative choice to be a socially conscious for-profit business but I am proud and feel great about what I do. Nonetheless, entrepreneurship is hard. As a woman, and specifically a Black woman, I face barriers that my white male counterparts do not. The stereotypes that drive doubts about my abilities are reflected in the unwillingness by many to pay fair market value for my services because I am valued as "less than." I once hosted a dinner for my team at a restaurant and the owner, who I was actually friendly with, was surprised that at the time I had 2 Asian male employees. He told me that their mothers must be disappointed that the only job they could get was working at my firm. I could share so many other examples of individual and systemic racial bias that ultimately impact my ability to generate wealth but I'd be up here all day.

I am here today because I believe that there are 4 actionable policy prescriptions that can be undertaken to help mitigate economic inequality, and specifically, the racial wealth gap. I believe that supporting small and microbusinesses, and in particular minority-and-

women-owned businesses, is an essential component of combatting the worsening economic disparities. After all, small businesses are the primary job creators as well as mechanisms for creating multigenerational wealth.

As evidenced by the wealth creation in the Black community under former Atlanta Mayor Maynard Jackson, government contracting can be a primary driver of wealth creation particularly for minority businesses. Accordingly, here are my recommendations to open the doors for more minority entrepreneurs to do business with the state:

1. Increase the public sector threshold from \$3,000 to \$17,500 for the procurement of goods and services that does not require 3 quotes. This action will allow microbusinesses to get their foot in the door with government contracting.
2. Increase the public sector threshold from \$17,500 to \$50,000 for the procurement of goods and services that require 3 quotes. This will help smaller businesses to access more contracts, because the RFP process is often too onerous and not worth the risk from a cost benefit standpoint. Also, it is nearly impossible for small businesses to compete with larger businesses that have staff dedicated to bidding RFPs. However, this does not mean that we cannot do the work and do it well.
3. Enforce M/W/DBE participation requirements on public contracts.
4. Ensure full transparency in the selection of vendors.
5. Substantially increase advertising efforts to educate minority and women owned businesses on the existing government contracting opportunities, and provide more assistance to them on navigating the process.

Thank you again for this opportunity.

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ELIZABETH MAHER MUOIO
State Treasurer

COREY AMON
Director

January 6, 2020

MEMORANDUM TO: Senator Ronald L. Rice
Assemblyman Benjie E. Wimberly

FROM: Corey Amon
Director
Division of Investment

SUBJECT: **Opportunities for Minority-Owned and Women-Owned Business Enterprises at the Division of Investment - Update**

In our prior memorandum dated November 11, 2019, the Division of Investment (DOI) provided background on its efforts to foster opportunities for minority-owned and women-owned business enterprises (MWBEs). This memorandum is intended to update the Committee on DOI initiatives in that regard.

As noted in our November memorandum, DOI believes that diversity of broker/dealers, investment consultants, investment advisers, and alternative investment fund managers can enhance financial outcomes and a greater utilization of diverse firms can lead to better risk-adjusted investment returns. In furtherance of this core belief, DOI continues to prioritize its increased utilization of MWBEs. With respect to investment advisers, DOI expects to issue one or more RFPs over the next two years to refresh its current pool of advisers. DOI has directed its general consultant, Aon Hewitt, to identify MWBEs that have expertise in the areas in which non-discretionary investment advice is being sought. When RFPs are issued over the next two years, DOI intends to notify each of the identified MWBEs to provide it with an opportunity to respond to the RFPs.

With respect to alternative investment fund managers, DOI has measured and analyzed its alternative investment portfolio and has determined that DOI has made binding commitments to 15 funds since the first month of January 2018. Of these 15 funds, six – or 40% -- were managed by firms that have been identified as an MWBE by investment consultants or trade associations. Currently, DOI anticipates making seven to ten new investments per year, and intends to continue to seek out funds with a diverse range of fund managers to maximize risk-adjusted investment returns.

Related to this core belief, and in order to leverage its influence as an institutional investor, DOI recently presented an updated Proxy Voting Policy for approval by the State Investment Council, supporting gender and racial diversity in the composition of corporate boards of directors, and is currently in the process of

working with other institutional investors to encourage such diversity. The Council unanimously approved the new Proxy Voting Policy.

The success of this important initiative will be determined, in part, by the Division's various outreach efforts. To that end, and to build on the Division's significant outreach to MWBE firms as described in my November 11 memo to you, the Division believes an important next step will be the retention of a full-time employee who will lead the Division's MWBE initiatives. We continue to explore new opportunities in this area, and we appreciate your committee's shared interest.

cc (through committee aides):

- Senator Chris A. Brown
- Assemblywoman Gabriela M. Mosquera
- Senator Nellie Pou
- Assemblywoman Verlina Reynolds-Jackson
- Assemblywoman Holly T. Schepisi
- Assemblywoman Britnee N. Timberlake
- Senator Shirley K. Turner
- Senator Loretta Weinberg



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January 7, 2020

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Dear Chairmen Rice & Assemblyman Wimberly:

Thank you for the interest of the joint committee in the important work the Department of Treasury is undertaking to enhance opportunities for businesses owned by historically disadvantaged groups, particularly women and minorities (MWBE). Consistent with Governor Murphy's goal of making New Jersey a stronger and fairer state, one of my Department's highest priorities is its commitment to create a more inclusive business environment, one where everyone has a chance to compete for State contracts.

Since January 2018 we have made it a priority to conduct greater and more purposeful outreach to the MWBE community and businesses owned by our veterans (VOB) and service-disabled veterans (SVOB, and together, V/SVOB). As a result, we have steadily and substantially increased engagement with MWBE firms. In addition to the two letters you have now received from Division of Investment (DOI) Director Corey Amon regarding his division's MWBE initiatives, I wanted to share additional information on the ongoing and successful efforts my office and other Treasury divisions have undertaken to expand economic opportunities for MWBE and V/SVOB entities.

Support and collaboration with the Office of Diversity and Inclusion

Since the creation of the Office of Diversity and Inclusion (ODI) in Treasury in 2018, my office and several Treasury divisions have worked closely with ODI's Chief Diversity Officer Hester Agudosi on several initiatives in support of our shared goal of increasing the State's engagement of MWBE and V/SVOB. In September 2019, my office co-sponsored and supported ODI's launch of NJ CONNECTS, the inaugural Garden State Minority, Women and Veteran-Owned Business summit launched in Newark. A number of Treasury divisions participated in the highly

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successful event, which garnered over 1,200 registrants, including representatives from over 100 corporate, non-profit, federal, state, and local government entities, and provided valuable resources for MWBE attendees. Most recently, Treasury (DPP and ODI) has been working with the Attorney General's office to finalize the RFP for a statewide disparity study.

Enhanced business-friendly access to MWBE certification process

DPP and Treasury's Division of Revenue and Enterprise Services (DORES) also worked collaboratively to reinvigorate the MWBE business certification process, including a forthcoming update of the regulations governing MWBE certification and the September 2019 launch of a new web-based portal to streamline the business certification process for MWBE and V/SVOB. These measures will significantly enhance access to State contracting opportunities and ultimately help create a more level playing field by eliminating paperwork and reducing transaction costs.

Increased engagement of MWBE and SVOB underwriters for Treasury-managed bond transactions

Treasury's Office of Public Finance (OPF) has worked steadily to increase its engagement of MWBE and SVOB underwriters for Treasury-managed bond transactions. In the current fiscal year (FY2020), to date, approximately 47% of the underwriters engaged by OPF are identified as MWBE or SVOB. This constitutes a twelve-point increase over MWBE/SVOB underwriter engagements in the prior fiscal year.

Targeted MWBE and V/SVOB outreach for State construction projects

In October 2018 and April 2019, Treasury's Division of Property Management and Construction (DPMC) and the New Jersey Economic Development Authority co-hosted well-attended and highly successful outreach and networking events at Thomas Edison State University for small businesses, MWBE and V/SVOB entities. The events provided small, MWBE and V/SVOB firms with resources and information on subcontracting opportunities related to the \$225 million construction of two new State office building projects (the new Taxation and Health buildings), including information on how to prequalify to bid on State projects and bidding on DPMC contracts.

The October 2018 event was so well-received that it was expanded the following spring to include DPP and information on the process and procedures for registering with NJStart, DPP's online portal for businesses seeking to contract with the State for goods or services.

I am pleased to report that DPMC's outreach events proved quite successful, as a significant percentage of the subcontractors engaged for the new Taxation and Health building projects have been awarded to small, MWBE and/or V/SVOB entities. For the Health building project, 61 of the 95 subcontractors, and 8 out of the 14 architectural subcontractors, are either small, MWBE and/or V/SVOB entities. For the Taxation building project, 45 of the 65 subcontractors, and 6 out of the 7 architectural subcontractors, are small, MWBE and/or V/SVOB entities.

In 2020, DPMC will pursue a similar event with the contract awardee for the \$180 million Executive State House renovation project.

In September, DPMC emailed letters to construction contractors and architecture and engineering firms seeking to expand its pool of firms registered as VOB and SVOB businesses. As a result, several firms have responded that they will be submitting contractor classification or consultant prequalification applications to the DPMC in order to become part of the bidding pool on DPMC projects. Our goal is to expand the pool of potential VOB and SVOB bidders in various construction trades and professional disciplines so that more projects can be set aside for VOB and SVOB firms in the future.

Reforms of procurement for goods and services

Through DPP, the State contracts with thousands of companies on hundreds of goods and services contracts totaling just under \$2 billion annually. Thus, targeted MWBE and V/SVOB outreach, and reforms that streamline the competitive bidding process for those firms, are critical for enhancing economic opportunities. In addition to collaborating with ODI, DORES, and DPMC on the many outreach initiatives set out above, my office and DPP have undertaken a comprehensive strategic overhaul of the way DPP does business. That reorganization will directly benefit small, MWBE, and V/SVOB entities wishing to contract with DPP, by streamlining internal processes, creating efficiencies, reducing transaction time and costs, and easing access to staff and bidding processes.

Working with my office, the Director of DPP and his staff have also identified a key procurement reform that would immediately and significantly benefit smaller businesses (who tend to be disproportionately MWBE and V/SVOB). This reform is among my Department's highest policy priorities. However, Treasury cannot accomplish this policy change unilaterally, as it requires statutory change:

- S2991: The current statutes governing State procurement of goods and services contain rigid deadlines for the disclosure of information about company ownership and doing business in Iran. Specifically, that information is due at the time a bid is submitted, and missing that deadline is fatal to a bid. These rigid requirements create a competitive disadvantage for many smaller businesses (many of which are MWBE) in the bidding process. These statutes also have the effect of increasing State procurement costs, by shrinking the pool of qualified bids. S2991, introduced by Senator Sarlo and strongly supported by Treasury, would relax these deadlines by allowing bidders to submit the necessary information up to the time that the contract is awarded. The bill would effect a common-sense reform to level the playing field for the many smaller/MWBE businesses wishing to do business with the State, and enhance the competitiveness of State procurements.

I urge you and your fellow committee members to consider supporting this legislative priority in furtherance of our shared goal of enhanced MWBE opportunities for goods and services contracting.

As mentioned above, this memo sets out some highlights of the progress that Treasury has made to enhance economic opportunities for MWBE and V/SVOB firms. While we are proud of this progress, my staff and I understand that there is more work to do. I would be happy to provide updated information on our efforts to the Senate and Assembly budget committees during my budget testimony this spring.

Sincerely,



Elizabeth Maher Muoio
State Treasurer

c: Senator Chris A. Brown
Assemblywoman Gabriela M. Mosquera
Senator Nellie Pou
Assemblywoman Verlina Reynolds-Jackson
Assemblywoman Holly T. Schepisi
Assemblywoman Britnee N. Timberlake
Senator Shirley K. Turner
Senator Loretta Weinberg