
Public Hearing

before

SENATE EDUCATION COMMITTEE

SENATE BILL No. 200

(The “Educational Facilities Construction and Financing Act”)

LOCATION: Committee Room 4
State House Annex
Trenton, New Jersey

DATE: March 9, 2000
2:00 p.m.

MEMBERS OF COMMITTEE PRESENT:

Senator Robert J. Martin, Chairman
Senator Joseph A. Palaia, Vice-Chairman
Senator William L. Gormley
Senator Byron M. Baer
Senator Shirley K. Turner



ALSO PRESENT:

Darby Cannon III
Office of Legislative Services
Committee Aide

Christine Shipley
Senate Majority
Committee Aide

Carrie Mitnick
Senate Democratic
Committee Aide

Hearing Recorded and Transcribed by
The Office of Legislative Services, Public Information Office,
Hearing Unit, State House Annex, PO 068, Trenton, New Jersey

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SENATOR ROBERT J. MARTIN (Chairman): I want to convene the Senate Education Committee meeting.

I see Senator Palaia is here. I know Senator Gormley is here. Senator Baer is here.

We're going to take testimony on the school construction bill. We understand that there's been activity going on in the Assembly. We are not really prepared to deal with what they may or may not have decided. We are interested in hearing the administration's most recent amendments, if that's the way, I guess, we can call it, amendments to the bill that Senator Gormley has sponsored in his House, both last session and this session. So I would like to have the Commissioner of Education, Mr. Hespe, come up and present us with the most current thinking of his Department, and I guess he speaks for the administration in general.

COMMISSIONER DAVID C. HESPE: Actually, I'd like to bring our Assistant Treasurer up at the same time, and then we will speak for the administration.

SENATOR MARTIN: Absolutely.

COMMISSIONER HESPE: Thank you.

SENATOR MARTIN: We'll keep to this issue. We won't talk about Newark. We won't talk about the Supreme Court. (laughter)

COMMISSIONER HESPE: That's the best deal I've ever had. I thank you very much. I can't begin to thank you. (laughter)

The Treasurer will be joining us in just a second, Mr. Chairman. Do you want me to begin, or do you want to wait for the Treasurer or whatever your pleasure is.

SENATOR MARTIN: Is he actually on his way over here?

COMMISSIONER HESPE: We understand he is actually physically on his way over.

SENATOR MARTIN: We'll give him about a minute.

COMMISSIONER HESPE: Okay. Now, how long do your students give you? (laughter)

SENATOR MARTIN: Well, this week we're actually on break.

COMMISSIONER HESPE: Okay. So zero is the time.

SENATOR MARTIN: Is David Sciarra here? I thought he was.

COMMISSIONER HESPE: He's in the building. I think he's at the Assembly Committee hearing.

SENATOR GORMLEY: Quick, let's get the testimony in. (laughter)

SENATOR MARTIN: It's my understanding that the public has received the information that the Commissioners have distributed, in terms of their recommendations for change. I can tell you, Senator Gormley and I, at least, have looked at some of them. There's no automatic agreement by the Senate that we will accept those. We're open to persuasion by the Department or the testimony. We would also expect that of those who are interested to make some testimony is-- I heard earlier there may be some representatives from different organizations who may be reluctant to speak to the amendments. We will take the position that if you don't speak, you had no problems with the recommendations.

I still haven't seen the Treasurer, but we'll-- I think we'll just allow Commissioner Hespe to begin.

COMMISSIONER HESPE: Thank you, Mr. Chairman, and thank you, Senators. I come before you to discuss a subject that is extremely important to our 1.3 million schoolchildren. It's important because New Jersey is one of the oldest physical plants in the nation and particularly our school buildings and particularly in our State's oldest cities, and also outside of our cities in our older school districts.

When I began as Commissioner, in March, I indicated to this Committee that the health and safety and security of our children was the most important issue to me, and I think the bill that you are considering this morning does exactly that. It considers the health and safety of our children. It also makes sure that they attend school in an environment that's conducive to learning. And also, in compliance with our Supreme Court directive in *Abbott*, a State plan that fully funds needed facilities improvements in our *Abbott* districts.

The bill that-- The most recent Senate bill -- the Department of Education is very pleased with the educational components of that bill. We are exceptionally pleased that we're moving that forward today in this Committee. And certainly, we remain willing to work with you on any assistance you need in moving this bill forward, but we are very pleased with the educational components of-- And then, certainly, Senator Gormley's leadership on this issue has been exceptional.

SENATOR GORMLEY: Well actually, I was the one who did the other sections that you disagreed-- Those are the ones I liked.

COMMISSIONER HESPE: Well, I'll continue to thank you if you don't mind. (laughter) It's easier. Knowing you many years, Senator, I

think I'll just thank you anyway. We'll just say that we're pleased with the bill as it is, and I'll just turn it over to the Treasurer, who, I know, has some existing concerns.

TREASURER ROLAND M. MACHOLD: At any rate, first of all, I'm happy to be here and to have an opportunity to talk on the bill.

As you know, it's the intent of the bill to allow for the financing and construction of the high quality building of school facilities for the benefit of all children throughout the State of New Jersey. The bill establishes important new standards for school facilities which foster the thorough and efficient education, which is mandated. Equally important are the fiscal controls which will be established to ensure that the construction program will protect the interest of the taxpayers of the state. I would like to-- I give you my observations with regard to the fiscal impacts presented by the bill.

Let me begin with the low-interest revolving loan fund. We all agree that the loan fund provides an important alternative source of relief for school districts that receive less than half of their construction financing in aid from the State. In fact, many of those districts currently qualify for no aid. We have differed, over the past, over the appropriate size of the loan fund. More important, however, than the size of the fund is the amount of the annual disbursement from the fund. The bill is currently written -- would allow for loans to be made in the amounts of 400 million for the first year, 300 million in the second year, and 200 million in the third year, and the balance in the fourth year.

Moving such sums so quickly through the loan program will increase the cost of the money to the State in the earlier years of the program.

It will result in fewer dollars being available in the out-years, which is a major concern to us given the progress of the plans that have to be submitted. We are concerned that some of the school districts might -- that if they were slow in putting forth, their plans might not arrive in time.

SENATOR MARTIN: Wouldn't you agree there's a pent up need for-- From our understanding, there's been a whole series of school districts that have resisted building because they're hopeful to come under this.

TREASURER MACHOLD: Right.

SENATOR MARTIN: The alternative is to schedule stuff and just set it aside when the need is already there.

TREASURER MACHOLD: Well, the *Abbotts*, of course, have access immediately to the funds. They're not part of the revolving loan. So we're not talking about them. What we're really talking about is the others, the non-*Abbotts*, who would be eligible for the fund. Many of them will really have two financing options, one of which is to use the existing debt formula support systems, the CEIFA system, and it may be that that will be an attractive alternative to them given whatever their percentage of aid is. There will be another group which will find this a more attractive way to go. They can do one or the other.

My own impression is that the amount of the -- would be sufficient, the amount that's proposed that we suggest, which is 200 million, which we believe that would be sufficient to provide moneys for those districts. And then as other districts get their plans in, there would still be money for them in the out-years. So that's the proposal that we have.

SENATOR MARTIN: And if we find out that you're wrong on that? I mean, we've had testimony in the past-- We've had hearings all last year that-- Montgomery Township school district, I think, in itself--

TREASURER MACHOLD: Right.

SENATOR MARTIN: --could use \$100 million.

TREASURER MACHOLD: And their plan is complete, and they're ready to go?

SENATOR MARTIN: I can't speak-- It just seems like one of the criticisms has been that we won't have enough money for -- and a very high-existing need right at the--

TREASURER MACHOLD: Well, there is a high-existing need, but if Montgomery school district gets 100 million right up front, and there are several other school districts like that, what's going to be available--

SENATOR MARTIN: I didn't say they deserve 100 million. But if one district makes a case for 100 million, and we have 566 school districts, minus the 30 *Abbotts*, 536 others, do we really have enough money also in the system?

SENATOR GORMLEY: And also, we have an effective date that's 1998.

TREASURER MACHOLD: Right.

SENATOR GORMLEY: So you have--

TREASURER MACHOLD: There is a retroactive element in that.

SENATOR GORMLEY: Well, that's why you have to front-end so much money, because you have a situation where actions have been taken

where we, in good faith, said this would be the effective date. There is, in effect, a grandfather provision for those districts.

TREASURER MACHOLD: Right.

SENATOR GORMLEY: And that has caused a-- Obviously, you're going to be dealing with not just your first year's demand, you're going to be dealing retroactively with almost two years' demand and the year you're dealing with. So you've got a lot on the--

TREASURER MACHOLD: But in doing so, you see, our concern is that you're discriminating against the people in the out-years who haven't completed their plans, who are non-*Abbotts*.

SENATOR GORMLEY: If I may, the answer to that is-- When you come to the Legislature, that's the problem. And our answer is an answer you would like less -- then we'll just increase the fund at the other end.

TREASURER MACHOLD: Well, that's always an option down the line.

SENATOR GORMLEY: Well, that's--

TREASURER MACHOLD: We're not here-- I'm not intending to ration--

SENATOR GORMLEY: No. No.

TREASURER MACHOLD: We're not trying to have backlogs. We're not talking about three-year backlogs or anything like that.

SENATOR GORMLEY: You're making a valid point. The alternative-- The answer to it is that if we've given a retroactive date, which we did in good faith because we have been trying to--

TREASURER MACHOLD: Right.

SENATOR GORMLEY: --work out the compromise ourselves, and if, in fact, we have this pent up, and if, in fact, we were to have started at \$200 million 18 months ago, this would be, approximately, the number we would be at today, and we say there's so much demand. Because the complaint we're going to hear from some of the other witnesses is, yes, we're glad it's not 200 -- we're glad it's up to a billion, but the reality of it is it's still not enough. So what you're doing is verifying that end of the argument.

TREASURER MACHOLD: Well, I--

SENATOR GORMLEY: I'm agreeing with what you're saying. I'm not being argumentative.

TREASURER MACHOLD: Well, the question is if there is a greater need, when does that anticipate it then? I would much rather, in terms of planning the State's finances, have that anticipated later than earlier. That's the reason for not increasing-- It was simply because the rating agencies and others will view, sort of, an open-end commitment as something that might be a negative.

I think that we've expressed a point of view. I perfectly understand your point of view on it, too. I think that what we have tried to do is create a balance between what we believe our expectations are, given what perceives to be a somewhat longer operating time line.

SENATOR MARTIN: I guess the dilemma that the Legislature faces is we represent 566 school districts.

TREASURER MACHOLD: Right.

SENATOR MARTIN: They tend to view things, we can say, myopically, but from their perspective, from their very real world. We've had

some interest -- strong interest -- by legislators to bring the retroactive date back almost to the flood.

TREASURER MACHOLD: Right.

SENATOR MARTIN: Not any flood. (laughter)

TREASURER MACHOLD: Noah's flood?

SENATOR MARTIN: It's going back to the flood of Noah. From a certain district's point of view, they're not really interested about the guy across the railroad track. So it's just very hard for us to fix on a number that you suggested if, in fact, we determine at the very least that there is pent up, not the retroactivity issue, but just pent up need right now among the vast growing school districts for immediate relief.

SENATOR GORMLEY: And by the way, also, as you know -- this did not happen while you were Treasurer -- we did have a revolving loan fund, and we set it up in the beginning of the '90s, but unfortunately, some of the recent budgets retired that money as it came back in. That was unfortunate because if that had not been retired, we would have a larger amount of money available today under the existing revolving loan fund. But what had happened is, the budget procedure was changed a few years ago, so it was no longer a revolving loan fund, which some of us disagreed with.

So consequently, your desire to make sure that the revolving fund in the out-years is viable is something that we're cognizant of, and maybe we could look to the money being returned on the existing revolving loan fund this year and make that change in the budget so that that would go into the pot of money that we're talking about. Because that has, as it's come back, that original \$200 million -- Dave, I don't know the exact numbers -- but it has

been retired. About \$10 million or \$20 million a year has been retired from that. Maybe we can stop that in this year's budget because it was intended as a revolving loan fund.

TREASURER MACHOLD: Which would, of course, create a whole budget we have to fill. (laughter)

SENATOR GORMLEY: Well, I was just using what started as your argument. I just--

TREASURER MACHOLD: Well, I--

SENATOR GORMLEY: --wanted to probably point out we phased out the last revolving loan fund--

TREASURER MACHOLD: Right.

SENATOR GORMLEY: --so we better not take a risk that the next one--

SENATOR MARTIN: This is just an example of the fact that we may have some concern about what you're proposing, but let's let the Commissioner finish his testimony.

TREASURER MACHOLD: Well, I'm not here to argue, so much as I am to present a point of view, and it's a conservative point of view and a fiduciary point of view.

Well, another fiscal control feature of the bill will be the project oversight provided by the Building Authority. The bill provides that those districts which elect to apply for loans from the revolving loan fund are eligible to take their projects to the Building Authority. We should encourage every district to utilize the Building Authority in order to maximize the opportunity of savings for the construction.

Next, I'd like to address the issue of the per-square-foot cost allowances. My staff has researched the school construction market in this region and determined that schools are being built within the State of New Jersey for a cost per square foot, with both hard and soft costs included, of no more than \$131 a square foot. The Legislature can have confidence that we can build the schools and borrow within this reasonable cap. Further, any appeal of the cost allowance should be limited to a cap of 10 percent so the construction costs are firmly controlled.

Finally, I would like to offer a word about the funding for this bill. Some question the State's ability to take on a construction project of this magnitude and align the State to a significant debt service for a generation to come. I would stress to you that it is fully appropriate for the State to do this for the purpose of renewing our educational infrastructure. The buildings that we create today will serve students in New Jersey for decades to come. It is appropriate that future generations should share in the costs of this program in which they, too, will benefit. Furthermore, we have demonstrated the State's current ability to fund this program at current revenue levels for at least the next six years without further access to the General Investment Fund, which is already dedicated.

Demands on the General Fund will grow at that point, but not to a level that cannot be adequately provided for by future Legislatures. I do not see a need to dedicate permanent revenue streams for this purpose beyond the dedications that are currently in the bill.

I look forward to working together with you so that we can all develop the bill end of a program which will benefit all citizens of the state.

Thank you.

SENATOR MARTIN: I have one initial question, then Committee members can ask questions.

Mine is, we've heard testimony for the last two years that disputes, radically, cost figures. Up until this point in time, other than some previous testimony by the administration, almost everyone outside of the administration says that you can't build at the numbers you are now proposing. One of the big issues in the past was the fact that soft costs were going to be originally in, then we took them out, and we're also now reducing the amount of middle schools from, as I understand, 136 to 131. At least that's your recommendation. I do know, at least, from the recent survey by school boards that says if most of the construction will be additions and renovations of existing buildings as opposed to new construction -- at least, that's according to their survey -- that seems to be the indication. And from what I understand from previous testimony, that tends to be more expensive than new construction, although maybe some of the soft costs aren't there. I'm just going from what I've heard.

As such, why, you said, we should have confidence in the Department, tell us why we should be convinced that your numbers are more accurate than what we've heard from everybody else but the administration on what the costs are to build in New Jersey, especially in pricey areas like Jersey City and others where the costs tend to be higher and there's less choices to be made about where you can develop and how you can develop.

TREASURER MACHOLD: We have had the surveys on this, and we have, I believe, provided it to the staff. I'm sure we only have the latest

one. I just recently checked with Dave Mortimer, who has this information, and I think his numbers are still valid, and he can provide you with the survey materials.

SENATOR MARTIN: One of the problems we had a year or so ago-- I think Mr. Sciarra presented some testimony to say that the Department -- when the Commissioner of Education approved construction in Jersey City, it was not at the levels -- cost that you are talking about now, I believe, but actually at higher levels. We've gone through this a lot. I'm not trying so I can get you. I want to be sold that we can do it--

TREASURER MACHOLD: Right.

SENATOR MARTIN: --at these costs and not have to spend more money, but it seems to be contrary to a lot of testimony we've heard up to this point.

TREASURER MACHOLD: We have the materials, some of which are being distributed now to you. I think that our experience -- as you know, we're already working on getting the costs down on some of the health and safety issues, and they're coming in somewhat less than had been originally projected. That's only a first round. That's just a beginning. But for what it's worth, we're pretty much on stream so far.

SENATOR MARTIN: Any questions from Committee members?
(no response)

TREASURER MACHOLD: Remember, there's also an appeal to go above this process for that.

SENATOR MARTIN: Any questions of either Commissioner?
(no response) Seeing none, we thank you for your testimony.

TREASURER MACHOLD: Thank you.

COMMISSIONER HESPE: Thank you.

SENATOR MARTIN: Senator Robertson.

Commissioners, would you just listen to Senator Robertson, because I think he has a radical proposal that is of interest.

David, if not the Commissioners, at least somebody from the Departments-- (affirmative response from audience)

SENATOR PALAIA: Senator Robertson, I think we might-- Let's wait, okay? I want to give you your full due, okay.

SENATOR NORMAN M. ROBERTSON: I appreciate it. Thank you.

SENATOR MARTIN: Senator Robertson.

SENATOR ROBERTSON: Thank you, Mr. Chairman.

Let me say first that what I'm coming forward with is a commonsense proposal. I don't know the extent to which that may be radical in Trenton, but it is, in fact, something I think we ought to consider.

I came here to urge the adoption of two different amendments to the bill, which I think will make the bill better but, more importantly, will speak to the very, very serious needs of certain types of districts. One such amendment is one that I had spoken to this Committee before in the last session when the predecessor of this bill was being considered; having to do with those districts that may be working-class districts that are not *Abbott* districts but face some of the same urbanization pressures that *Abbott* districts do and, in fact, are bordered by two or more *Abbott* districts. And there are many of them across the state.

We have one situation in the town of which I live that has, in one of its attendance areas where they need a new public school because of the overcrowdings -- students are being bused to the other side of town, classes are being taught in cafeteria, utility closets are being used as offices for two people. And yet, despite the fact that the school lunch rate in that district is 40 percent, despite the fact that test scores have gone down in that district, that attendance area, still they do not qualify for the sort of very serious attention that we are giving, and rightly so, to our urban neighbors.

And in the city of Clifton, as we look to our left at Paterson and to our right at Passaic and across the river at Garfield, the citizens in my town worry about having to come up with the money -- 90 percent of it under this bill -- to build the new schools that are necessary to attend to a population that faces many of the same pressures as their urban neighbors, not to the degree that some of the urban neighbors do, but to the degree that other urban neighbors do.

I would urge the Committee, therefore, to fashion an amendment which would utilize certain demographic information as to population, senior citizen population, age of school buildings, and the percentage of students eligible for the school lunch program in order to identify those adjoining districts that are in need of special assistance to avoid failure. We want to avoid the situation where we must first fail before we get very serious attention from the State of New Jersey with respect to aid. Such districts under this amendment would be eligible for 80 percent funding. If some other amount is appropriate, that other amount should be considered. That's amendment No. 1.

Amendment No. 2, which I believe is probably the radical proposal that you mentioned, is one which would raise the minimum age level from the 10 percent that's included in the bill currently to at least 30 percent, if not 40 percent or 50 percent. Something told me, as I read the fiscal note, that the cost of such a change might not be as drastic as we would suspect at first blush. In fact, once this program is fully in place, the program envisioned by this bill, it is estimated by the Office of Legislative Services that a full 70 percent of the State funds that will be spent, will be spent in the 30 *Abbott* districts. That's a huge amount, and that's an overwhelming percentage. And, in fact, it does reflect the sort of serious attention that we should be giving our urban districts. But at the same time, we have hundreds and hundreds of other middle-class, working-class districts who feel that they are being left behind with the attempt to simply go to a 10 percent aid rate.

I might mention, obviously, and take note of the fact that the revolving loan fund is a good program. We are concerned, however, as to how far that revolving loan program will go. Will it reach all the districts that are in need, or will we wind up like one of those sweepstakes, "You've already won a valuable prize?" You know you're not getting the trip to Hawaii, and you know you're not getting the car. You know you're going to get that valuable coin from a local mint. That might be the 10 percent in this case. And it's cold comfort to those who have to worry about meeting a budget and paying their taxes and paying their mortgage to know that they never had any aid before, and now they're getting 10 percent.

What I'm suggesting is that there is--

SENATOR MARTIN: Roger Dangerfield says when he opens up his mail and gets a letter it says, "You may have already lost a valuable prize." (laughter) Maybe that's what you're really referring to.

SENATOR ROBERTSON: Well, some of the frustrations might mirror that, although it's not literally the case. But some of the towns that I represent are very, very frustrated at the situation that they're in.

Leaving Clifton aside for a moment, which is a working-class town, where the senior citizen population exceeds 20 percent, you go to a town on the other end of the affluent scale. Glen Ridge is a fairly affluent town. It's a small town, but they have a student population somewhere in the area of 1100, and the demographics and what they know of the babies that have been born, because of the change of ownership in town, they're headed toward 1900 students in a few years. Now, this is a town that sends millions of dollars in income tax dollars down to Trenton and is being told that even though they have a huge need for additional classrooms that it's likely that they're only going to get help to the tune of 10 percent. It becomes very, very difficult for that community to accept the fact that they send that much money down and don't appear to get as much back -- and don't get as much back.

We use that argument all the time when it comes to Washington, here in New Jersey. We're 50th, remember? Everybody knows that. We're 50th in the money we send down versus the money we get back. Some of our towns are saying the same thing.

In Glen Ridge's case, to add the classrooms that are necessary will require a building program to their schools that will require the average taxpayer to increase his taxes by something like \$400 to \$700 just for the

construction end. That's too much. At some point, we have to say that people are overtaxed. When you take a look at what it would cost us to raise the minimum level from 10 percent to 30 percent or 40 percent or even 50 percent, it's very instructive. And that's the chart that I sent to the Committee during the course of my testimony. (indicating chart)

For 30 percent -- the first year cost of raising it to 30 percent is \$5.4 million. The cost in year five is \$27 million. The cost in years 11 through 20, which is the maximum years once all the projects are on line, where now the bill's overall cost is \$769.6 million, the additional cost to go to 30 percent is only \$54 million. It's a 7 percent increase in the cost of this bill.

I don't think that we can, in good conscience, continue to say no to working-class and middle-class districts. This is the time when the State of New Jersey is rightly making its most significant commitment to public school construction in its history. And I think that every community in this state should know that they will receive a substantial part of that aid, at least to the tune of 30 percent or 40 percent.

We have the money to be able to do it. You asked me the question in the last session, "Where will we get the money?" But I take a look at a budget message from the Governor, which includes another tax cut and several more spending programs, a rather healthy surplus, and I realize that the money does exist for us to do this, either through difficult choices or through just sheer will. I would suggest to this Committee that we should take a very, very serious look at adopting what I'll call a fair share amendment to this bill, which would ensure that all school districts would participate in a truly meaningful way.

Thank you, Mr. Chairman.

SENATOR MARTIN: Do you anticipate-- If you had a percentage increase for school construction costs of this amount, would you forego the revolving loan?

SENATOR ROBERTSON: I assume that what will happen is that those districts that are eligible for the revolving loan program might very well, if they were going to give 30 percent or 32 percent under the revolving loan, in terms of practical relief, versus 30 percent in aid or 40 percent in aid, that they might go with the straight aid figure.

And by the way, one of the other lessons that I learned in doing some of the homework on this is that the revolving loan fund, as a way of delivering this relief, is less efficient than simply raising the minimums. In fact, if we guarantee the loan fund would be available to everyone, it probably would cost somewhere in the area of \$90 million a year when everything is on board. So this is even a more efficient way of doing it, and we do have the ability to do it, I believe.

SENATOR MARTIN: How do you know your numbers are right?

SENATOR ROBERTSON: These numbers were compared by the folks who did all the -- from Legislative Services, who did all the numbers for this bill, put it into their modeling for this bill and came up with these numbers.

SENATOR MARTIN: They're making assumptions about the amount of school construction. Wouldn't, in fact, there might be more likelihood of additional school construction if there were money available?

SENATOR ROBERTSON: What I will say in answer to that is that these assumptions are consistent with all the other assumptions they've been provided by the nonpartisan group that we've turned to in order to get some fiscal guidance on this bill. So this is not my arithmetic. This is OLS telling me that this is what it will cost to raise the minimum.

SENATOR MARTIN: Any questions? (no response)

Thank you.

SENATOR ROBERTSON: Okay. Thank you, Mr. Chairman.
Thank you.

SENATOR MARTIN: I have about 15 people who want to speak, and it's about 3:20, so I would really ask people to try to be brief.

Mr. Lacey, from Glen Ridge.

JOHN P. LACEY, ESQ.: Thank you, Mr. Chairman.

SENATOR MARTIN: You want a bigger piece of the pie, right?

MR. LACEY: That's correct. I've been down here before, most recently on the supplemental aid bill to testify concerning the exclusion of *I* and *J* districts from the supplemental aid. We would be eligible for it if those districts were not excluded because we are-- Well, frankly, we have the dubious distinction of being, I believe, it's No. 2 in the state in terms of the highest property taxes, coupled with the fact that-- Well, you and I have had this discussion before, Senator, actually, and I want to correct a misunderstanding concerning Glen Ridge's situation, because there are people within the town who are very well off, and they do skew the median income of the town.

I can show you house after house, dozens of houses throughout Glen Ridge that will sell, even in this scorching-hot market, for less than \$200,000. Now, that sounds like a lot of money in many districts, but it is not the type of cost that you would associate with the so-called affluent school district. Right now, in Glen Ridge, we have no open space. We have no available space to build. We, as a Board of Education, recently proposed and passed for public consideration a \$13.4 million construction bill that is going to be saddled by the taxpayers if we don't get assistance from you. The reason for that is because we have no malls to support this. We have no open space which is going to be developed that will give us ratable properties. And most importantly, because of the substantial taxes paid by us in Essex County, we have the empty nesters and senior citizens, who are on very reduced incomes, leaving and being replaced by larger families with many children.

Senator Robertson actually mentioned that in a few years we're going to be having this increase. We're having it now. Between June and September, we had an increase of 100 school children, which for us is approximately 8 percent. Last year, it was more than that. And we are facing these increases each and every year as classes of 60 to 69 graduate and go out of the school system. And coming into the elementary schools are grades of 140 children. This is a situation that, frankly, we can't shoulder without your help.

We have people-- I personally have people coming up to me day after day saying, "John, I can't support this proposal. I can't do this. This is going to cause me to have to leave this town. My family can't afford it, and I

want my children to be able to go to these terrific schools, but we just can't do it."

The one thing-- I just want to add one last point, and that is the affluence of the town. If our town were as affluent as many perceive it to be, I think we'd be in the realm of Mountain Lakes or Livingston in terms of per pupil cost. Our per pupil cost in this very wealthy affluent community is less than the State average in New Jersey -- less than the state average in New Jersey. We are efficient. We are heavily overtaxed more than 150 percent than the average in the State of New Jersey.

And if you want this formula for creating what Senator Robertson has suggested, I suggest you go to that supplemental aid bill and look at that kind of formula that would place the limitation, the cap on this, to districts that are the most heavily taxed, while at the same time being the most efficient in terms of within 5 percent or 10 percent or 15 percent of the State average per pupil cost. Because if you combined those things, you can place a cap on the expenditures, and you can place a limitation of what it will cost the State, while at the same time not hitting us twice with (a) the minimal State aid that we get now, which is this year going to be about 5 percent -- 5 percent of our budget -- and then hitting us again by basing this program, in part, on the amount of State aid we get. That doesn't make sense to me, and I would suggest that it shouldn't make sense to you in terms of hitting us twice where it counts.

I would just suggest that this formula would be more equitable, more fair to everybody involved, and that it would reward those districts that are already spending taxpayers' money very efficiently.

I sure appreciate the bill, Senator, first of all, because I think it does some very worthwhile things for the people in New Jersey, and I certainly appreciate your time today.

Thank you.

SENATOR MARTIN: Sarah Tantillo. I saw her here before. Is she here, from the Charter Schools? Sarah? (no response)

Eric Wagner, Michael Soriano, architects.

Mr. Wagner, you signed up twice. You don't have a clone, do you?

ERIC WAGNER: No, I don't. (laughter)

Good afternoon, Mr. Chairman and Committee members. I'm Eric Wagner. I'm President-Elect of the AIA-New Jersey Chapter. We're here today to, first of all, speak in favor of the general concept of this bill. We are fully supportive of the concept of improving educational facilities for the children of the state.

We've been before you in the past. At that time, we had expressed some concerns with the previous bill. They had been addressed, and we appreciated that very much, but now we're back again to speak to the same issues that were not addressed and did not carry forward in the administration's bill. So we'd like to--

SENATOR GORMLEY: But you agree with our bill?

MR. WAGNER: Yes.

SENATOR GORMLEY: But we agree with you.

MR. WAGNER: Great.

SENATOR MARTIN: The primary purpose here is to address the proposals of the administration. Is that where we are?

MR. WAGNER: Well, correct me if I'm wrong, but I understood you to say that if we had some concerns with the administration bill, then you were interested in hearing them.

SENATOR MARTIN: The administration amendments that they have proposed.

MICHAEL SORIANO: As we've come to understand in the past few days, the administrative amendments seek to take a step backward, as it were, with respect to the issues that we have brought forth to this Committee and had been--

SENATOR MARTIN: All right. Well, go ahead. We'll see where we're going.

MR. WAGNER: We'll go through them quickly. We'll enumerate for you. If they're in there, great. If not, we'd be happy to go over them in further detail with you.

SENATOR MARTIN: Please, do not. We're not going to relive the wars of yesteryear, but we'll go forward.

MR. WAGNER: As the bill, as we've seen it, and as we understand it at this point, we have some concerns, and we'll just go through those quickly, if you don't mind.

Firstly, the local school district should be responsible for choosing the architect. Under the legislation as we see it at this point, the school district must hire an architect to do the preliminary plan. At that point, the Building Authority could retain -- has the power to retain another architect to carry the

project forward, and we feel that this is inefficient costwise. It takes control from the school districts in having a say of the architect that might be familiar with the communities and the needs of the local districts. And we also feel that it is not cost effective.

We're suggesting that the school district be required to, if they want to select their architect, they select an architect that's prequalified by the State. And at that point when they select that architect, they are allowed to keep that architect through the project.

MR. SORIANO: The second of our major concerns had to do with the property rights, with respect to the design of the school construction projects. We feel that unauthorized or potential unauthorized creates a major concern.

SENATOR MARTIN: You're right on point.

MR. SORIANO: Yes.

SENATOR MARTIN: From what we understand, we did what you said in the last bill.

MR. SORIANO: Yes.

SENATOR MARTIN: And now it's on the table again that the administration doesn't feel that that's appropriate.

MR. SORIANO: That's correct.

Just elaborating on the second of our major concerns -- had to do with the liability and the property rights aspect. The potential unauthorized reuse very much creates a major liability concern. We feel that the rights to the design produced by architects should remain that right and not be transferred to the Building Authority.

SENATOR MARTIN: Well, I think we all remember that issue very well. I think we agree that you have a good point.

MR. WAGNER: We're here to put this on the record to reaffirm our concerns since they were not carried forward.

MR. SORIANO: With the administration amendments--

MR. WAGNER: We thank you very much for hearing us again.

SENATOR MARTIN: Thank you.

MR. WAGNER: Thank you.

SENATOR MARTIN: Mr. Sciarra.

How can two sides win a lawsuit? That's what I can't figure out.

(laughter)

I think you had a good week, though, from what my--

DAVID G. SCIARRA, ESQ.: I had what?

SENATOR MARTIN: You had a very good week, from what my read was.

MR. SCIARRA: Oh, well. Thank you.

SENATOR MARTIN: I thought you were coming over to see me last Wednesday. I was in my office--

MR. SCIARRA: I was there.

SENATOR MARTIN: --waiting patiently.

MR. SCIARRA: I actually showed up about -- a few minutes late. I think you had gone.

SENATOR MARTIN: I was there till 1:00. I thought you were coming at 12:00.

MR. SCIARRA: Oh, I had 3:00 down on my calendar, so-- We'll talk afterwards. I was there about 3:00 or about 3:05, and they said you had left. I'll be back.

Thank you, Senator.

It's a pleasure to be here. I just want to make a few quick comments. One is on the issue of preschool education, particularly in light of what is now the *Abbott VI* ruling. I hope there won't be an *Abbott VII*.

SENATOR MARTIN: I think you're the one in control of that.

MR. SCIARRA: No, I'm not. Actually, I think you all are, or at least your colleagues in the Assembly are in control of that one.

On the issue of preschool education, though, I repeat again the administration amendments don't address this. The bill still doesn't address it -- an outstanding issue which is bringing into the *Abbott* construction program the entire preschool programs in the *Abbott* districts that are providing preschool education to *Abbott* children, which includes, as you know, Mr. Chairman, a collaborative program. Some of them are school-based, and some of them are in facilities operated by Head Start and other community-based programs.

Abbott V, and now *Abbott VI*, make very clear that all of the preschool programs providing preschool education in the *Abbott* districts have to be covered under equal standards, the same standards, including facility standards, and at the moment we don't have -- the districts' five-year facilities management plans (a) don't address facilities issues of preschool very well, even in school-based programs and (b) do not at all address the facilities needs programs that are operated by community-based agencies. So this bill really

needs to be amended to make it clear that school facilities include facilities that are providing preschool education in *Abbott* districts, including those programs operated by community-based agencies.

SENATOR MARTIN: Won't that significantly increase the cost?

MR. SCIARRA: Well, it's going to obviously have a cost impact. We won't know what that is until there is an assessment of those facility needs and those are then incorporated in the five-year facilities management plans. They have to be included, though. We can't have a situation where kids are in school-based -- programs that are in school buildings under certain standards and programs that are operated by community-based facilities.

We proposed an amendment, and you have language previously from us which would require the Commissioner to come up with some new preschool standards because the standards may be different than the facilities efficiency standards that we have for K-12 buildings, which is what is in this bill. So I would urge you to also direct the Commissioner to come up with a set of facilities efficiency standards that address the unique circumstances under which preschool education is being provided in the *Abbott* districts, and then a revision to the five-year facilities management plans that includes all programs, including those operated by community-based providers.

I think there will be others who will testify on this. There are others who have just testified on this upstairs in front of the Assembly.

I do have a concern about the administration's amendment on soft costs and land acquisition. It's a point you raised. Under the bill-- Under that amendment, you would have to basically rely on \$1.31 to cover all costs, including soft costs. I do have some concerns about that. And I question if

there's going to be any appeal, whether we should cap that appeal, given that this is kind of a dynamic situation that could change.

SENATOR MARTIN: Cap it at the 10 percent figure? The appeal figure or the 1.31?

MR. SCIARRA: I'm sorry.

SENATOR MARTIN: What do you want capped, the-- You said uncap the 1.31 or the 10 percent?

MR. SCIARRA: Well, I understand-- I'm not really familiar with the administration's proposal, so maybe you can enlighten me. I understand that what they're proposing is that the \$1.31 include all costs.

SENATOR MARTIN: We got a terrific graph here that shows it.

MR. SCIARRA: Yes. I have this in front of me, too. I'm looking at it. And then there's a plus 30 percent for soft costs, and then a plus 10 percent for an appeal cap. I think-- Is that correct?

SENATOR GORMLEY: I'm against it.

MR. SCIARRA: You're against it?

SENATOR GORMLEY: I'm against it.

MR. SCIARRA: Okay. Then I'm not going to say anything more about it.

SENATOR GORMLEY: Thank you.

MR. SCIARRA: The last thing is that we do need an amendment, I think, that makes it clear that facilities projects in the *Abbott* districts should proceed according to a schedule that emerges out of an improved five-year facilities management plan. It's really not clear from this bill that that's the case. That's really important, again I emphasize, when you're talking about a

districtwide construction program in which timing and scheduling issues become absolutely critical. The whole issue of moving students around, emptying buildings so that they can be renovated, if it's a large renovation project, or demolished. Where do those students go?

All of these sorts of issues get caught up when you're doing a program districtwide. And I strongly recommend to you that you put in some language that makes it clear that, in the five-year facilities management plan approval process, there be a set of priorities and a construction schedule that emerges out of that process, and that projects proceed to the Building Authority in accordance with that schedule out of the five-year facilities management plan. I think all the planners and folks that I've talked to at the local level really feel that that would be an important addition.

The last point I want to make is that I urge you to reject the administration's proposal to limit community development projects to, I think, four demonstration projects, as I understand it. I just really-- I urge you to reject that. You're on the right course. Stay the course. I think it's very important that we take full advantage of the opportunity to leverage the school construction projects and make them part of a larger community development effort and not limit them to four.

SENATOR GORMLEY: If I may? This is a good opportunity. I don't favor any of the amendments that have been recommended to the bill. However, with regards to possibly looking at a limitation on the community development projects, if in terms of working out other language with the Assembly that there are amendments of that nature that I could accept if we were looking at a compromise, that puts an overall piece of legislation together

in terms of, let's say, certain differences that we might have with some of the versions that have been suggested in the Assembly. So I've felt very strongly about stretching the public dollar beyond the school facility. I think it's been very positive that you've acknowledged it because, in certain circumstances, it could be construed as diluting the education dollar, but I think it does enhance it.

But I do think, in terms of the concept of demonstration projects that brings us closer to a overall resolution, I would look at that. That's the only amendment I would look at. Every other amendment that's been recommended I would not accept in the legislation.

MR. SCIARRA: I just want to say on the community development issues this Committee has really shown a real willingness and a real vision about that. And I really, again, urge you to stay the course.

SENATOR GORMLEY: But, well, you have to understand at the same time we want to get the funding level that doesn't cause you to have more numbers after the case than *Rocky* films. We want it limited, and I would like-- It is very important that we get a consensus and a bill signed. And what I'm saying, although I prefer my original version, because I always do, I think that in that one particular area of community development if there is compromise in terms of demonstration projects I am open to that because it gets the overall product done. It would make it worthwhile.

MR. SCIARRA: And since my last comment will be-- Since I may not appear before this Committee before this issue is, in terms of compromise, I hope this Committee remains firm on fully funding the facilities improvements in the *Abbott* districts, complying with the Court decision and

relieving us of the task of having to go back to the Supreme Court to find out whether 100 percent means 100 percent.

SENATOR MARTIN: Thank you.

Sarah, New Jersey Charter Public Schools Association.

S A R A H T A N T I L L O: Thank you. I'm really sorry I wasn't here when you called earlier.

I'm going to be joined by Paul Schaefer, from the Golden Door Charter School of Jersey City.

P A U L S C H A E D E R: Two birds, one stone.

SENATOR MARTIN: That's fine.

MS. TANTILLO: Okay.

SENATOR MARTIN: What is your title today?

MR. SCHAEFER: Oh, jack of all trades.

MS. TANTILLO: We're here to talk today about -- basically to request that charter schools be included in the legislation. Essentially, as you may be aware, there are 47 charter schools currently in operation around the state, serving 9000 students. Another 20 are also approved and will open in the next year or two. Eighty percent of these students come from *Abbott* districts. Essentially, we are providing about 120 percent of education at 70 cents on the dollar cost. How is this happening?

We are providing longer school days and longer school years. The majority of charter schools are doing this, and with a class size of 17 students on average across the state. So we're providing a lot of personalized attention per student. There's a lot of community involvement, speaking of community development, a lot of parental involvement, particularly in the *Abbott* districts

where, as I said, 80 percent of the students -- of our charter school students -- come from.

We are actually not receiving the legislated 90 percent of the local per pupil expenditure. What's happening is that our students are being counted to trigger the *Abbott* funding, but we're not receiving that funding. And as a result, we're receiving actually about 83 cents on the dollar. When you factor in--

SENATOR MARTIN: You know there's legislation to try and deal with that topic, but--

MS. TANTILLO: Okay. I'm just trying to set the stage for why we believe we should be included in the facilities funding here. We feel strongly that, with per pupil provision for facilities aid, would bring us a little bit closer to the 90 percent. And also, it would be a very cost-effective way at providing increased facilities opportunities, particularly in the *Abbott* districts where these schools are created and not built from scratch at high cost. So essentially, it's a cost-effective mechanism. If you look at other states, about a half dozen other states around the country provide facilities aid for charter schools. Minnesota would be a great example at \$1500 per pupil.

MR. SCHAEDEER: Okay. I'm coming from a mentality of how do I reconcile my suburban mentality with the *Abbott* urban mentality. I'm conflicted because I understand that these schools need to be built. Most of them need to be built and renovated in inner cities. So how do we build these facilities and just make education better in the *Abbott* districts facilitywise, educational resultwise, and take it easy on the suburban taxpayer's pocketbook?

All I can say is come and see what we're doing in Jersey City because we are currently providing new facilities as we speak. So all I need for this Committee to do is to come and see what we're doing and to use it as a model for what you want to do on this huge facilities program or include it, not necessarily replace it, but include it. So I ask that you come and see because we've already built a brand new facility, and we have one planned for September and one for December. So that's three, 500-child facilities that will be built by December of this year. How do we do that? Come and see.

But tying it in with Sarah, it's doing it within the charter public school world. We tried to work with the district. What your facility program is essentially modeling itself after is what they do in the public school district. So you would be replicating the failures statewide. What we're trying to tell you to do is go around that current system which you're trying to replicate and do it another way. And that can be done if you accelerate the charter school populations, especially within the inner cities.

So I ask you to come and see it. In Jersey City, we're doing this already, so come and visit.

SENATOR MARTIN: Thank you.

I'm going to try and work up some funding, whether it's in this bill or in some other way, for either the start-up costs or at least dealing with some aspects of construction in the charter schools. I'm not sure about this legislation, given its history and all the players. We hear you.

MR. SCHAEDE: Well--

MS. TANTILLO: We appreciate that.

MR. SCHAEDEER: But I'm also concerned, and if I could have one last point, about the debt service.

SENATOR MARTIN: One last minute.

MR. SCHAEDEER: One last point. The debt service. The \$10 billion turns into \$21 billion. If you accelerate the creation of charter schools within the inner city, you will decrease that greatly.

MS. TANTILLO: Thank you very much.

SENATOR MARTIN: Mr. Cohen, from the Affordable Housing Network.

ARNOLD COHEN: Thank you for the opportunity to speak before the Senate Education Committee. I'll summarize the testimony that we had handed in earlier, to be brief.

Our members are community-based neighborhood organizations around the State of New Jersey. We see the school construction proposal, especially in the *Abbott* districts, as one of the greatest opportunities New Jersey has ever had to promote community development and revitalize distressed neighborhoods. This legislation should just not be about buildings, but about children and communities.

We're here to talk about the community development aspect that's in the bill. We'd like to see that strengthened. There's a couple of principles that we'd like to see carried out in the legislation. One is that--

SENATOR MARTIN: Could I just-- I see Mr. Mortimer there. Could you explain to us why you want to reduce this community development program? Is there some rationale? I assume, with demonstration projects, you're not sure it's going to work.

DAVID MORTIMER: We were trying to follow the precept that, Mr. Chairman, we thought that the Legislature took with other initiatives that were like this. For example, the Transportation Trust Fund was renewed, and there was an opportunity to experiment with public-private partnerships or multiparty partnerships. The demonstration project approach was taken, and seven projects were specifically enumerated and limited so that we could, as a government, quite frankly, find out how it worked, how well it worked, and make the fine tunings that would be necessary.

SENATOR MARTIN: Was there any reason for four? That's just a number, right?

MR. MORTIMER: We looked around the state based on the input we were getting from various folks, and there was some sort of sense that there was perhaps about four or so that were anxious--

SENATOR MARTIN: Not four school districts, but just four--

MR. MORTIMER: Demonstration projects.

SENATOR MARTIN: --specific projects. So that a specific building in Newark that became a school and a library for the -- that would be one?

MR. MORTIMER: Correct. The thought being again with the time frame and the numbers, was it was an offer of an amendment that would give enough diversity of chance in the first couple of fiscal years to see how it worked and allow the Legislature then to react on a more permanent basis to make it either ongoing or let it sunset.

SENATOR MARTIN: Thank you.

Mr. Cohen, but you like the idea?

MR. COHEN: Yes. Our concern is that you have a golden opportunity here as these dollars are being spent that in an urban -- in the *Abbott* districts, when you're doing these construction projects, you can be creating job opportunities for people within those districts. You can be subcontracting to entrepreneurs within those districts. You can be training young people for jobs that live within those districts.

The other point is, as you're planning the building of those schools by talking to local -- obviously, the State has to play a central role -- but by involving the community that you can be really achieving the State's goals by using the building of these schools to be able to achieve the goals of rebuilding and revitalizing our cities through a library that's being built or through open space or recreation facilities that are being built. There's facilities that are being put in place as those buildings are going up that can either sop up a deal with the very narrow viewpoint of what is needed for that school, or it can look at the larger need of what's there for the neighborhood. And for the same dollar -- I'm just taking a different look at things -- we can really be able to maximize these dollars that are being spent anyway to be able to meet the varied goals of the State. One of them, as the Governor stated, is rebuilding our inner cities.

So we see this as an opportunity that shouldn't be missed, and it's not one that we can wait for.

SENATOR MARTIN: You were at the Assembly Education Committee Meeting today?

MR. COHEN: Yes.

SENATOR MARTIN: Apparently, they have shown no interest in this concept?

MR. COHEN: It's what it seems like.

SENATOR MARTIN: No rationale that you're aware of?

MR. COHEN: Yes. It's what Assemblyman Collins was saying at the beginning -- was he sees this as just about the narrowest show of school construction. We see that as really missing the golden opportunity.

SENATOR MARTIN: Thank you.

MR. COHEN: Thank you.

SENATOR MARTIN: John Abeigon. John?

Hey, Art, you're next.

JOHN M. ABEIGON: It's a pleasure and an honor, actually, to follow Arnold. He's worked long and hard in the community that we both love. And actually, on a personal note, both of our daughters attended the same community-based preschool organization, Ironbound Childrens Center, which is an excellent facility, pitted against any other of the same kind, which is in the district that the Chairman requested that we not mention earlier on in this debate today.

The New Jersey State Federation of Teachers wishes to acknowledge the sponsors of S-200, Senator Bill Gormley and Senator John Lynch, specifically, and all their staff, for their hard work in drafting what is at least a very delicate piece of political legislation. At most, if successful, the effects of S-200 will be felt for decades to come by the children, the educational community, and working families of the state, and we believe that deserves respect and support.

Unlike the odious, shameless, contemptuous, and reckless Assembly Bill No. 2041, that dares to go by the same name, S-200 acknowledges the *Abbott V* decision for full funding of construction in the so-called special needs districts. Obviously, the sponsors have demonstrated a willingness to recognize and discuss the health and safety issues of such projects, provide for current and projected overcrowding, allow for space to assure educational adequacy, allow for new school construction based on local district needs assessment, and fully respect, we hope, and continue to respect the preschool issues reaffirmed on Tuesday by the New Jersey State Supreme Court, now being referred to as *Abbott VI*.

We are concerned that the use of tobacco settlement money is going to partially fund S-200. The New Jersey State Federation of Teachers has stated publicly that we can see a justification for this use only to fulfill the *Abbott V* order to establish, where demonstrably needed, community health centers in or as close to the special needs schools as possible. If you are looking for funding, I would suggest asking the administration what it's doing with the 80 percent of the Special Education Medicaid Initiative money it does not deliver to the special education students in this state.

In conclusion, the State Federation conditionally supports the Educational Facilities Construction and Financing Act under the same terms and conditions that we supported the original version, S-15, so long as the sponsors continue to demonstrate a willingness to address and remedy remaining issues of concern to the Education Law Center and our brothers and sisters in the AFL-CIO. We echo their concerns and remain committed to supporting S-200 to its final passage before the full Legislature.

SENATOR MARTIN: I would just ask you to do one thing, as well as anybody else who has the ability to do that, and that is if you have some resources that you can turn to, to see what you believe to be the cost -- it's a huge issue about a debate which the Legislature can't ascertain unless we get information. The administration-- The Treasurer was here and said that he is confident that the numbers that he has produced based upon, apparently, some prior history over a recent time frame indicate that the State can build at a certain price. That's great news if it's accurate and not a misrepresentation.

We would like to see some confirming data to support or to disaffirm that. And I don't know if your Federation might be able to take a look at that and to see-- I throw that out to, again, anybody in the audience who may be able to shed some light on whether those costs are correct or incorrect.

Thank you.

MR. ABEIGON: Thank you.

SENATOR BAER: Mr. Chairman.

SENATOR MARTIN: Yes.

SENATOR BAER: A very brief question. In your third paragraph, you referred to SEMI money. What are you referring to, and how much money is that?

MR. ABEIGON: SEMI money is a Federal grant to the State. It's the Special Education Medicaid Initiative, which comes in the form of Federal dollars to the State Treasury, which is earmarked for special education needs students in the state. It is our understanding that only 20 percent of the

Federal dollars that the State receives is distributed among the 600 or so districts. The other 80 percent remains in the Treasury. And that is an option that is allowed them under the current Federal Grants to States law. Actually, in D.C. they're currently looking at changing that, and we argued in D.C. that the present posture-- It's a roll of the dice whether you're going to get a Governor -- when a Legislature that's willing to give all the money that's earmarked in this case, special education, to the children to which it's directed or whether they're going to get a Governor and an administration that's going to say, "Well, there's a loophole here that allows us to keep 80 percent. We're going to do just that, and we'll only distribute the 20 percent."

SENATOR BAER: And under present law, that would be continued?

MR. ABEIGON: Under present law, it's allowable.

SENATOR BAER: Under present law, that would be continued for how many years, assuming there's no change at the Congressional level?

MR. ABEIGON: We're working with the present Legislature in D.C. to change that law now -- to make Federal Grants to States moneys dedicated funds, so that moneys such as the Special Education Medicaid Initiative would have to be spent on special education needs in that state regardless or who their Governor may or may not be.

SENATOR BAER: Thank you.

SENATOR MARTIN: Thank you.

Mr. Maurice.

ARTHUR MAURICE: Thank you, Senator. Good afternoon.

SENATOR MARTIN: Just before, we were just discussing whether-- I think that from what we understand that may be correct. I think it is fair to point out, I believe, that regardless, the states are required, either the state itself or the school districts, to pick up the costs of special aid, special ed under IDBA. So somebody is picking up the cost. What may happen in many places, and we've gotten hundreds -- I shouldn't say hundreds -- but at least dozens of letters from school districts complaining that the State doesn't provide enough funding for the special ed, which leaves it to be borne by the property tax. The services may be provided. The State may be acting in a way which we may or may not think is good public policy in the sense of not using the Federal grant money for that purpose, which by not doing so then puts an increased burden on the local school districts -- is the way, I believe, the current system is in operation.

Mr. Maurice.

MR. MAURICE: Thank you, Senator. I'm Arthur Maurice, with the New Jersey Business and Industry Association. I'll be speaking on an issue which you probably haven't heard much about, the issue of contracting and bidding for contractors. It's a particularly timely issue despite the 4:00 hour, because the Assembly legislation voted out an amendment which deals with something I'll be speaking about. Now--

SENATOR MARTIN: This is not the issue that we addressed as a final amendment in Senator Gormley's bill last term, which, by the way, was January. So it wasn't a long time ago. But when we dealt with it, the other issue with contracting that you are concerned with--

MR. MAURICE: I know. I want to thank you for your excellent work and your consideration. This is a new issue. It's on the issue of prequalification. We support S-200, particularly because it has safeguards that protect the integrity of the bidding system, either under the New Jersey Building Authority Public Contracts law or the Public School Contracts law. We feel the legislation, as it now stands, ensures and maintains the public confidence in a system where every school construction project that is being built is being built at the lowest cost by a responsible bidder.

What I wanted to alert you to this afternoon are efforts to subvert the bidding process by introduction of skewed bidder prequalification requirements. Currently, their prequalification system identifies and removes bad actors from the public bidding process. Objective information is used, and standards are clear. However, there are new prequalification standards which are being discussed and, in fact, made their way into the Assembly version of the legislation that discussed the type and quality of a workforce that permits the consideration of hearsay charges and allegations, and that would allow individual governments to revoke a contractor's prequalification status that is determined by the State.

We feel that changes such as these subvert the integrity of the bidding system and would delay school construction and lead to extensive litigation. Again, we support the legislation as it is.

I want to thank you, Senator. I know I harassed you, maybe not too difficultly, but I harassed you in the fall and in the winter for amendments. And again, thank you.

SENATOR MARTIN: Thank you.

Senator Baer has a question.

SENATOR BAER: Thank you.

I wanted to ask you -- and let me ask these questions all at once, and you can respond after I'm done to shorten this process. In terms of preventing the cronyism, do you have any recommendations relative to vendors or professional contracts to or relative to change orders or disclosure of interests by parties, and do you have-- If you don't have a series of specific recommendations, would you recommend referencing in to some known comprehensive set of standards that covers as many of these things as possible, and if so, what would that be?

MR. MAURICE: Senator, we support the existing prequalification standards that exist. Any objective information about background, work performance is certainly fair game and should be.

SENATOR BAER: Thank you.

SENATOR MARTIN: Thank you.

Does the Department have a position on that?

MR. MAURICE: I'm sorry. I can't hear you, sir.

SENATOR MARTIN: The Department, Treasury? Have you had a chance to see these, whatever they are, onerous, Communistic amendments or something?

MR. MORTIMER: (speaking from audience) We just got them this afternoon.

SENATOR MARTIN: Thank you.

Barbara Reiche, New Jersey Child Care Association.

BARBARA REICHE: Good afternoon, Mr. Chairman and members of the Committee. There's been a lot of talk this week about preschool education, *Abbott VI*. I am here on behalf of the providers of child care who have been providing it for over 20 years in this state, the licensed and often accredited early care and education centers that are licensed by the Department of Human Services.

One of their big concerns, as owners and operators of those centers, is that they won't have a future here in New Jersey. And you ask why? Well, such pieces of legislation, such as this and the Court decision, take many of those children, three- and four-year-olds, and say, "Well, they need 1-to-15, teacher-student ratio, and they need certified teachers." But they also need quality facilities, and there are no provisions in the bill right now to address community-based centers.

What's unfortunate about it is, in the last Court decision, Chief Justice Poritz states, "as a practical matter, given the time constraints, special needs districts should use operating day care centers, because they have obvious benefits. They have existing facilities and staff. They lengthen community and wraparound day care for parents." And she goes on to say that it makes no sense not to use this resource given that the need is so great and time frames are so short.

The Court even encourages the State to set aside funding to expand, renovate, equip, and supply child care centers so that they can become the well-run preschools that the Court says these children so desperately need.

We've also heard from you over and over again as you're trying to maximize the use of school construction dollars so that the largest number of

districts and the students they serve will benefit. However, again I emphasize, there is no money in this bill to help those child care centers that are currently engaging in the collaboration with the school districts, especially in the *Abbott* school districts.

Undoubtedly, the renovation and expansion of existing child care facilities would utilize fewer dollars in the building of brand new institutions. Further, it would invigorate the economy because many of the centers are taxpaying entities. By not making a facility commitment to these centers, they will close, and our State will lose a whole sector of its economy.

And finally, and most importantly, if you ask the parents in the community, they don't want their three- and four-year-olds in a school system. What they want is a small community setting where they are sure their child is safe. In fact, if you ask any parent what their No. 1 prerequisite is for their three- and four-year-old, they would say it's safety and security before educational enrichment. As most parents know, a three- and four-year-old cannot learn unless they're in a secure environment and their unique personal emotional needs are met.

Many of New Jersey's community-based child care centers want to stay in business in our State's most needy districts and are willing to meet the stringent educational requirements demanded by the Court. Providing there is a real philosophical and financial commitment by our State in its school districts, they will hire the certified teacher, they will meet the 1-to-15 teacher-class ratio. However, the cost of this will be astronomical. As a result, to ask them to do this and then absorb the cost to bring their facilities up to

the higher standards set by the Department of Education will undoubtedly cause their businesses to close.

So, on behalf of the child care community, I ask you to allocate a portion of the funding in the bill to renovate and expand New Jersey's community-based centers so they can become the top-notch preschool programs the Court believes they can be.

SENATOR MARTIN: Are they going to transfer the deed over to the State of New Jersey for their building?

MS. REICHE: Excuse me?

SENATOR MARTIN: The problem is that these are owned either by nonprofits or by some private property owner, and I think you'd have to create a whole kind of mechanism that -- and I don't believe exists in the current bill to deal with how you would go about funding -- providing State moneys for non-State or subdivisions of the State's entity.

MS. REICHE: I don't know. I'm not a funding expert, and I certainly don't know how one would do that. I don't know if you could block grant it. I don't know if you could do it as part of the community outreach portion of this bill. But not to do it, it really is going to cause a problem for those centers to remain active and who want to be active in the community.

SENATOR MARTIN: Well, my recommendation to you is to try to think of--

MS. REICHE: A way--

SENATOR MARTIN: --some way to do it that's--

MS. REICHE: Okay.

SENATOR MARTIN: I mean, I understand what you're saying. In the light of this week's Court decision, if it didn't make sense before, it at least makes-- I'm saying this wrong, but it's more reasonable now because of what the Court has said. At the very least, we have to see some kind of proposal, and I'd be very concerned about the protections for the State. If the State is going to give money, is there some kind of a recapture if the building is not used for continued purposes? And those kinds of issues become very important before we would just authorize that kind of money.

MS. REICHE: I understand that, and I will try to get you something.

Thank you.

SENATOR MARTIN: Thank you.

Mr. Keyek. You don't have to sit in the back, you know.

Actually, is Mr. Ward still here? (affirmative response from audience) I apologize. I hadn't really noticed that you were from Clifton. I would have called you with Senator Robertson, or close to the same time, but you will be next.

EUGENE KEYEK, Ed.D.: Thank you, Senator.

We'd like to--

SENATOR MARTIN: *The Dirty Dozen*, right?

DR. KEYEK: --begin our presentation with a caveat that we do not have consensus on all of the issues that were presented by the administration, and we would like to reserve the right to come back to the Committee again once we get some feedback from our various constituents. But there are a number of issues that I would like to present to you for your

consideration and then ask for all of the group to provide input. And obviously, the first one is the loan fund.

One of the issues is that we're looking at the original amounts that were proposed in the bill, that we're looking at the \$1 billion. We're looking at the up front funding of 400 million, 300 million, 200 million. A concern that we had is that the bill does not address a carryover of the unexpended funds from any one given year. So that if the 400 million, which we feel very strongly will not occur, they'll be still one strong protection that that money would then carry over to the following year and would be added to the 300 million or the 200 million.

The other issue: In the excess at the end of the process, it indicates that anything in excess of \$150 million would be utilized to pay off the ensuing debt and interest. But what we would like to recommend is rather than establishing a figure of \$150 million is that we save the excess after all the applications have been processed so that we don't cut someone out later on in that construction process, so that everyone has an opportunity to file. Then if there are excess funds in that given year, then they would be utilized for debt principal or for interest payments.

I think that that's all I have. Anyone else? Lynne.

LYNNE STRICKLAND: Yes. I'd just like to reiterate, because we've heard it before a few months ago, about the concept of the cap that the Treasurer's introduced today of 200 million, 200 million, 200 million, and so on. The need is there now. The need is there yesterday, and the need is there early tomorrow morning. Clearly, it's good to plan out to the future, but we need to address these districts now. We did a survey that shows \$900 million

in need for 86 districts. We have 95 responding. Eighty-seven percent are involved in new building or renovations alone.

School boards did their own survey. They all proved the same thing. There's high need, and it's now. So to spread that out, you're really going to cut districts and children out effectively, because they can't wait around to put the buildings in place.

Also, I want to remind you that the loan fund is still a loan. It's as simple as that. It's a loan fund and that it will cover any district under 50 percent -- that receives 50 percent or less -- no -- just under 50 percent debt service today would be eligible to apply for the loan or go for debt service, so that the option is there all the way.

Also to remind you that districts that have this 240, or so, now that haven't been receiving basic State support aid for a long time, they fund themselves 85 percent to 95 percent off their local taxes. And in my organization, Garden State Coalition of Schools, the equalized tax rate for those districts now is on the State average -- more than 55 or over. So the need is there, and the communities have been expecting it.

In terms of the carryover, yes, the bill is kind of wide open on that now. It says up to 400 million, up to 300 million, up to 200 million, and it doesn't talk about a billion in the end. It says 900 million, so it's just--

DR. KEYEK: Anyone else?

SENATOR MARTIN: Just so we understand. We've had this debate before about 2 percent versus 0 percent. If it meant that reaching substantially more districts with demonstrated need, you would still rather see

it go at 0 percent and have less winners, but bigger winners than more winners with 2 percent?

DR. KEYEK: We were afraid you were going to ask that question because we don't have consensus on that particular issue. I think the majority of the Coalition would favor or accept the 2 percent as a reasonable interest rate and provide that interest rolling over into the loan fund again. We have a couple of organizations that because of an equity question want to deal with it from a separate feature.

Barb, do you want to--

SENATOR MARTIN: Just hypothetically, before you get to-- Senator Robertson's proposal of creating a 30 percent to 50 percent funding mechanism for all school districts, you'd be liking that a lot, right, I gather, if that were--

DR. KEYEK: Well, not having seen all of his calculations, I don't know that I would react to that, but probably I would venture, from my own estimation, yes, provided that I had some certainty of funding. Because over a period of time where we've been guaranteed X number of dollars, that funding has been diminished over the last 10 or 12 years, and until just the past 2 or 3 years when we've gone back to full-funding debt service entitlement, so I don't know--

SENATOR MARTIN: Well, I suppose all of these proposals are, although they're talked about in terms of a decade or ongoing revolving trust, are all subject to the Legislature in the future. Amending it in the same way, I think, Senator Gormley pointed out that the revolving loan fund of prior years just sort of went bye-bye, right?

DR. KEYEK: Well, I suppose, like everything else, to use a religious analogy, "What the Lord giveth, the Lord will take away." (laughter) So, yes, that could occur.

SENATOR MARTIN: Were there other spokespersons in your--

DR. KEYEK: Pardon me.

SENATOR MARTIN: Is there anybody else in the back who wants to be in the front? (referring to microphone position)

We're going to try to move this along, so you'll be our last group spokesperson.

BARBARA J. BOHI: Can you hear me okay?

SENATOR MARTIN: Yes.

MS. BOHI: You had asked about the 0 percent versus 2 percent, and I guess at either 0 percent or 2 percent a school board association concern was the equitable distribution of the loan proceeds. As you noted, Mr. Chairman, we released the results of our annual school bond referenda survey. When we looked at the numbers, what we found was even in the first year of the loan fund there were going to be about, roughly, \$200 million in the project called Shut Out. That was only considering the districts with a 36 percent State aid level. We cut it off at 36 because we felt that the 5 percent add-on in the bill, that that would raise it to 41 percent, and that's equivalent to what the loan fund is in terms of State aid -- 41 percent debt service aid.

So we were concerned that if even the wealthy districts were shut out, they would be getting 10 percent debt service versus those who made it into the fund at the 41 percent level. And for the middle-income districts, like, for example, in December of last year, which is 11 percent eligibility, it went

for State aid. And with the 5 percent add-on, it would still come to 16 percent, roughly 25 percent less than what it would be getting under the loan fund.

So we're concerned about the equitable distribution. We want a low-interest loan fund, but we're trying to work out the language on that now. So that was our concern.

DR. KEYEK: Senator, we still have a continued discussion here. Go ahead, Lynne.

MS. STRICKLAND: We do. Indeed we do. First off, let me say the inclusion of a revolving loan fund is very welcome, and it always has been, and at 2 percent is good. When the 0 percent went out there, sure enough, our districts did some studying. As a matter of fact, you had mentioned Montgomery, and the Superintendent was going to testify today, but he had to go back to his district. He's our President-Elect, also, of Garden State.

Here's the issue. Here's the conundrum. A zero interest loan would save Montgomery Township \$18.9 million in local property taxes. Certainly, the 2 percent is better than at 5.7 percent, which would cost them \$55 million.

This is true across the board, as you know, and it's going to save districts somewhere around \$500 million, perhaps, in local property taxes at 0 percent. Now, in the out-years, when you talk about a stable fund that's generating interest to give districts money later on as they need it, and clearly, that's a good thing. So that's a reasonable debate to have. The problem for that is just what you were mentioning before. Will the loan fund, indeed, still be alive and going then, or will there have been a need, due to a downturn in the economy, where the State has had to go over and borrow into the loan

fund? It's set up to be separate and distinct, and it's the district's loan fund in the bill.

As we understand, the State goes out and borrows the money and doesn't really care whether it's 0 percent or 10 percent, because that money doesn't crosswalk over as interest rates paid by the districts to the State to help the State pay off its debt obligation. So given that they're separate and distinct, it's the district's fund the way you've got it set up, which brings in another little hooker in the bill. It still calls for the Treasurer to be able to adjust the interest rate from time to time. It holds it at 2 percent for the first two years, and then lets that option be given to the Treasurer.

Since it's the district's fund and since the State doesn't get into the fund, why is that even in there is a question we've asked ourselves, and we really can't get a good answer because it's up to the district's fund to be built and get larger or smaller, dependent. So, we asked our board members how they feel about it, and they feel that it's safer and more secure. If they have the option, they would certainly go for a 0 percent loan fund. They're grateful for the loan fund to begin with. So there's our answer.

SENATOR MARTIN: Thank you.

DR. KEYEK: Okay. The next issue deals with the--

SENATOR MARTIN: How many more issues do you have?

DR. KEYEK: Let's see. I have 10 on my list. I can go through them very quickly, though.

SENATOR MARTIN: Go ahead.

DR. KEYEK: The loan fund was the most important one, and I can take the rest of these, the \$131-- We feel that the soft costs, the 131 plus

the allowable soft costs, is what it should be, because the soft costs, the allowable soft costs, in some instances could be extraordinarily high, especially with site acquisition.

The third thing is confirmation of the one-half day, full-day kindergarten definition on Page 7. We think that needs to be reviewed, and we feel there may be a mistake in one of the full- and half-day calculations in there, the definition of the unhoused students. The proposal has already been submitted to the Majority Office and to OLS, so that we could look at the definition that we have proposed.

The middle school: We obviously object to the reduction back to the 131 square feet. We think that the 136 was acceptable. We preferred or recommended the 141. The middle school, very quickly, on that particular basis, the 131 seems to be predicated on an elementary calculation rather than what's necessary for a middle school.

The retroactivity: We still feel that the language is not clear as to who benefits, who can do what, going back to September 1, 1998. And we think the language needs to be clarified. We have submitted some language for your consideration.

SENATOR MARTIN: What do you want?

DR. KEYEK: Well, we're not changing the date. We just want the clarification that (1) how do they qualify for that? Right now, it says, I believe, if I can paraphrase that, that if they went into sign the contracts, if they had short-term debt-- We're going back to '98. Many of the districts who already had programs, they've done all of these things, so they really wouldn't qualify to participate under the new process.

SENATOR MARTIN: Do you want them in or out?

DR. KEYEK: We would like to see them in, since everyone who's participated in there since '98 did so with the assumption, remember, that this bill was proposed by that time. They did that with an understanding or an assumption that they would participate, and we'd like to see them participate.

The lease purchase: We'd like to see the records for the lease purchase approval by the Department out of that, and the Department has agreed with us that that's not an essential ingredient in the construction bill. However, the removal of the lease purchase for acquisition of site, we think, is a necessary item, because there are times when sites become available, and especially in the urban areas where they need to have the availability for a five-year lease purchase program until they can then detail their construction program.

We still feel a need for expedited appeal process. There's still a lot of open-ended decisions in which the districts have no appeal process. And we think a singular appeal process for decisions by the Commissioner, by the Building Authority, and the Finance Authority, should all come under one rubric of an expedited appeal process and would suit the needs of all individuals.

Let's see. The cap of a 10 percent appeal to the calculation of eligible costs: We think that that's too stringent a cap. Just because we say that, well, you're going to appeal the eligible cost, but we're only going to permit you to appeal up to 10 percent, there may be extenuating circumstances that puts those eligible costs way beyond 10 percent. So there shouldn't be a restriction. There just should be an appeal to the eligible costs.

The last item, the maintenance allocations: Many boards would not have 2 percent of their T and E budget in there right now. So if they were to go up to that 2 percent level, that should be excluded from the cap, at least one year, so they can get it into their budget, and then have it counted later on in their calculations.

Those are the issues that we very quickly brought together after your comment that if we don't testify that we're in agreement with everything you've said. I propose that we--

SENATOR MARTIN: I didn't propose this. This isn't my bill, and it's not my recommendations to it.

DR. KEYEK: Okay. But, anyone else have any comments, recommendations.

MS. BOHI: The only comment is, we like the amendments you've made in December and January, and stick to your guns.

Thank you.

SENATOR MARTIN: Okay. Thank you.

DR. KEYEK: Any questions?

SENATOR MARTIN: Nope.

DR. KEYEK: Thank you very much.

SENATOR MARTIN: Mr. Ward, from the Clifton Board of Education, and then the last person will be Tom DiGangi. Is he here? You going to tell us about costs maybe? No.

MATTHEW J. WARD: Thank you, Mr. Chairman. My name is Matt Ward. I'm with the Clifton Board of Education. I'd like to thank the members of the Committee for the opportunity to appear this afternoon.

I'm here first and foremost to say that we say support Senator Robertson's fair amendments, particularly the concept that communities bordering *Abbott* districts are facing many of the same issues, albeit on a slightly smaller scale, but nonetheless urgent than their urban neighbors. We definitely support--

SENATOR MARTIN: If we adopted that amendment, wouldn't the neighbors next to you raise the same issue?

MR. WARD: Well, I think the concept should be one that the towns that immediately border, immediately border. Plus, you'd have to factor in some--

SENATOR MARTIN: If they get 100 percent, you got 80 percent, and I'm sitting next to you and getting 0 percent or 10 percent, wouldn't I then have the same argument?

MR. WARD: You might, but the only thing I would say to you, Senator Martin, is that the process of urbanization is under way at a far higher level because of where Clifton's geography is, as opposed to, say, if you were in West Paterson or Little Falls. And as you move further west, the elements of urbanization are there, certainly, but not to the same scale that they are in Clifton. If they were to meet certain benchmarks, I think you could expand that concept to those other towns that are maybe one step beyond where a city of Clifton might be located or other adjacent-type communities.

Briefly, let me just say that the city of Clifton is in complete support of the fact that urban communities need to be fully funded and receive an appropriate financial support level. At the same time, the city of Clifton, and just quickly if I can, to elaborate what the Senator was talking about, we

are facing some significant issues. We have migration issues from the cities of Paterson, Passaic, and Garfield. Many of the kids that are coming into our system have less skills. Their familiarity with the English language is very much at issue. There are, certainly, behavioral and discipline issues that our school teachers are going to have to face on a day-to-day basis.

We are now transferring students inside the district outside of the neighborhood school concept. You can imagine how much that issue plays at board meetings, when one has to discuss moving a child from one side of the town to the other. Some of them are as young as six years old in that process.

We also have a staffing situation involved. Because of the issue related to overall professional development of our teachers and what goes on, many of them are looking at outer district areas as a way to have their careers start. Much of the Clifton school district, I believe it's about half to maybe two-thirds, is going to be at or near retirement within probably the next four to five years. So we will see a changeover in terms of our staffing needs.

Senator Robertson alluded to our high percentage of senior citizens. Twenty-one percent is over the age of 65. Forty percent is 55 plus. We have some seniors paying upwards of 25 percent of their total income on property taxes. As a result of that situation, we only have had two budgets pass since 1988 in terms of our school situation. In many instances, when we found out from seniors, the issue really was about the nature of the property tax and taking it from their lack of ability to pay.

We are a very cost-effective district. As a K-12 district, we are less than \$7000 per pupil. It's one of the lowest K-12 districts in the State of New Jersey. But 84 percent of our budget is supported through local property taxes.

The age of our buildings is significant. We have the second highest enrollment high school in the state, at 2800, right behind Elizabeth. Our No. 12 elementary school, which is on the eastern side of the city, has over 700 kids in one building, 40 percent of whom are on free and reduced lunch. There are 300 districts in the State of New Jersey that have 500 and fewer kids in their district. We have that in one elementary school.

SENATOR MARTIN: Let me just stop you there, because I'm curious.

Mr. Azzara, you've gone to most of these Committee meetings. I think you heard the Clifton issue. It's a real one. If you have a town which is, or city, which is sandwiched around Paterson and a couple of other districts which are going to get 100 percent school funding and they get only a small amount, is this legislation that we're proposing here, is this fair? Is it? Has any attention been given to the Clifton problem?

MR. AZZARA: (speaking from audience) From our standpoint, whether you're next to it, an *Abbott* district, or three districts away, if you got the ratables or, in fact, the district -- you have the ability to pay, it doesn't make any difference.

SENATOR MARTIN: I'm not sure how we're going to resolve this, but I think the fundamental problem is *Abbott*. It creates clear winners, and then everybody else is in a different circumstance regardless of their circumstances. It's a fundamentally unsound system that the Court has sort of put us in.

We have Clifton with-- It has done a great job in keeping their costs down, but which, as I think the case has presented itself, is getting an

increased amount of students from the special needs towns and has to deal with that. It has increased enrollments, getting very little assistance from the State. And the dilemma you face, at least it's been threatened, is that Clifton itself-- They may become No. 31 or No. 32 or No. 33, unless we come up with some kind of a solution that deals with it. I don't think that this legislation-- I'm not sure that Senator Robertson has got the answers to it, but I think that the issue that's been raised cries out for some solution, and I haven't heard anything from the administration that even so far recognizes the problem.

MR. WARD: Senator, I'd like to just add that, basically, the bill here has two types of sizes. It has the 30 special needs, and then it has either the qualifications for debt service aid or a loan program. The city of Clifton is in the same boat as some of the most affluent communities in the State of New Jersey, and I don't want to go into the names of those, but there are significant towns that have a per capita income that dwarfs the city of Clifton. But yet, we would be eligible for only the same amount of aid, and we are at the threshold. Now we must now add another elementary school and a third middle school.

To go back to our voters, given the senior citizens that we have in our community using property tax, we are between a rock and hard place. We cannot just add modulars and trailers to our city, as a competitive city, when other perspective families are going to then look at other communities and say, "Why would we want to go to Clifton? We will go the outer suburban rim because it's a more secure area for our own kids and for our own families."

Now, this concept may be, in some ways, evolutionary, but I would say to the Committee that there needs to be some real thorough study of the

fact that you cannot just have one size on one side of the equation and one size on the other. And I just want to reiterate, we support the idea that the *Abbott* communities receive 100 percent funding. It's in our best interest that they handle those issues. Because if they can't handle those issues, they become our issues, and they are issues now. And you're quite right, maybe down the line, five years, ten years from now, Clifton will be coming back to the Legislature and saying, "Why are you guys the 34th urban special needs district?" Well, at this point in time, if there can be some remedy fashioned that deals in some way--

Now, the Senator proposes 80 percent. To be honest with you, if we had something more than 10 percent and somehow were factored into that middle ground, so to speak, that's a reasonable area for discussion. But to date, there has been no discussion on what towns are facing that immediately border those areas. And I would certainly, on behalf of our board, welcome the Committee to come to Clifton and see exactly the situation that we are facing. It's no different than what many towns that are bordering *Abbotts* are facing.

I'd like to just say, in closure, we are in support of what Senator Robertson says. The difference here between the *Abbotts* and the proposal that's on the table right now is going to leave a lot of communities like Clifton in the lurch. I can tell you that on our board meetings right now, the discussion about building another school, or schools, is going to be impacted upon what kind of State aid we receive. If we only receive what S-200 has on the table right now, it's going to cause a tremendous amount of harm for our community, and as a result of that, what faces Clifton will face our suburban neighbors in time.

Thank you very much.

SENATOR MARTIN: Thank you.

Mr. DiGangi, last witness.

THOMAS DIGANGI: Thank you, Mr. Chairman.

Mr. Chairman, members of the Committee, if it pleases you, I'd like to read just a brief prepared statement, very brief.

SENATOR MARTIN: Please.

MR. DIGANGI: The Building Contractors Association of New Jersey commends the Education Committee and the sponsors of S-200 for addressing the critical need of educational facilities construction, and the BCANJ supports this effort.

However, the BCA would like to direct the Committee's attention to some language regarding redevelopment entities. We believe the language could undermine the public bidding laws, which have served our state well. As an organization dedicated to maintaining the highest standards of quality, efficiency, and safety in building, the Building Contractors Association feels this matter deserves some attention.

The sections of S-200 which authorize the construction of school facilities in conjunction with or under the authority of a community development entity, they're all referenced P.L. 1992, Chapter 79. It is our understanding that this affiliation links school facilities construction to the laws and regulations governing a community development entity.

Recently, our legal counsel has advised us that it is unclear that these statements, whether projects under the Local Redevelopment and Housing law, are subject to the public bidding laws.

I won't read through the actual statute that this pertains to, but basically there's ambiguity in the language, and there's a suggestion that improvements can be made, or in construction, in this case, without public bidding. So considering any potential ambiguities, the BCA would recommend additional language to ensure that the public bidding laws are not circumvented.

We'd be happy to work with the Committee and the sponsors if you deem that this is something that's required.

SENATOR MARTIN: You're referring now to the four pilot programs development?

MR. DiGANGI: Unfortunately, I've not seen the administration's recommendations.

SENATOR MARTIN: But this is only dealing with the community development piece, which is now, at least from the administration's point of view, should be limited in great number. But I don't think there was ever any thought that this would be outside of the public bidding laws, and we can certainly clarify that to whatever its number, unless Senator Gormley treats his differently, but I'm pretty sure he isn't. We'll make sure that there-- I think your attorney is working overtime to come to that conclusion, but we'll make sure that the question is answered.

MR. DiGANGI: Better safe than sorry. Thank you very much. We appreciate it.

SENATOR MARTIN: Well, thank you.

It's over.

(HEARING CONCLUDED)