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# *Commission Meeting*

of

## NEW JERSEY COMMISSION ON CAPITAL BUDGETING AND PLANNING

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**LOCATION:** Committee Room 11  
State House Annex  
Trenton, New Jersey

**DATE:** November 15, 2002  
12:00 p.m.

**MEMBERS OF COMMISSION PRESENT:**

B. Carol Molnar, Chair  
Anthony F. Annese, Vice-Chair  
Senator Robert E. Littell  
Assemblyman Joseph Cryan  
Patrick Brannigan  
Gary Brune  
Kevin McCabe  
Robert A. Roth



**ALSO PRESENT:**

George LeBlanc  
(Representing Senator Wayne R. Bryant)  
Beth Schermerhorn  
(Representing Assemblyman Peter J. Biondi)  
David Rousseau  
(Representing State Treasurer John E. McCormac)

John Geniesse, Acting Executive Director  
New Jersey Commission on Capital Budgeting and Planning

*Meeting 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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(The Commission on Capital Budgeting and Planning held a teleconference meeting on November 15, 2002 at 12:00 p.m. The only member of the Commission present via teleconference was Senator Robert E. Littell.)

**B. CAROL MOLNAR (Chair):** I'd like to call the meeting to order. In accordance with the Open Public Meeting Law, the Commission has provided adequate public notice of this meeting by giving written notice of time, date, and location. The notice of the meeting has been filed at least 48 hours in advance by mail and/or faxed to the Trenton *Times*, *The Star-Ledger*, and filed with the Office of Secretary of State.

SENATOR LITTELL: Hello. (on teleconference call)

MS. MOLNAR: Here we are.

SENATOR LITTELL: Okay. I can hear you real well.

MS. MOLNAR: Okay. All right. We'll take a roll call.

MR. GENIESSSE: Senator Littell.

SENATOR LITTELL: Yes.

MR. GENIESSSE: Mr. LeBlanc, for Senator Bryant.

MR. LeBLANC: Here.

MR. GENIESSSE: Assemblyman Cryan.

ASSEMBLYMAN CRYAN: Here.

MR. GENIESSSE: Ms. Schermerhorn, for Assemblyman Biondi.

MS. SCHERMERHORN: Here.

MR. GENIESSSE: Mr. Rousseau, for Treasurer McCormac.

MR. ROUSSEAU: Here.

MR. GENIESSSE: Mr. McCabe.

MR. McCABE: Here.

MR. GENIESSE: Mr. Brune.

MR. BRUNE: Here.

MR. GENIESSE: Mr. Brannigan.

MR. BRANNIGAN: Here.

MR. GENIESSE: Mr. Roth.

MR. ROTH: Here.

MR. GENIESSE: Mr. Annese.

MR. ANNESE: Here.

MR. GENIESSE: Ms. Molnar.

MS. MOLNAR: Here.

MR. GENIESSE: Madam Chair, you have 11 members or their alternates present, and that constitutes a quorum.

MS. MOLNAR: Thank you.

I want to thank the Commission members for being open to changing the time, and meeting later in the afternoon.

We will skip the Executive Director's report and start with our capital request presentations. Our first one is Department of Human Services. I'd like to welcome Theresa Wilson, Deputy Commissioner from Human Services.

Now, you're going to have to identify your staff for the stenographers, and I believe there should be three additional mikes, like these (indicating recording microphones), over there. You have to make sure you speak into one of those three.

**DEPUTY COMMISSIONER THERESA C. WILSON:**

Good afternoon. I'd like to first introduce: to my left is Jim Zapicchi, from our Capital Unit, and Director of Facilities Support; Anthony Innes, to my right; and to my far right is Al Levin, my special assistant.

Good afternoon, Madam Chair and members of the New Jersey Commission on Capital Budgeting and Planning. I am honored to appear before you to present the Department of Human Services' 2004 capital budget request. With me is our Director of Facilities Support, Anthony Innes. Let me start by saying that since joining the department I have been very aware of the accomplishments we have achieved with your assistance and that of the staff at OMB. Based on your recommended appropriations, we have completed several major capital initiatives in the last year.

We have completed major roofing initiatives at Trenton and Greystone Psychiatric Hospitals. We have completed a security ceiling project at Trenton Psychiatric Hospital. We have completed ICF/MR renovations of the hospital at the Vineland Developmental Center. And thanks to John Geniesse and his staff, we also were able to access Treasury funding for hazardous material cleanup and underground storage tank remediation. With the help of OMB and the Division of Property Management and Construction, major improvements have been made to the environmental fitness at our facilities. I would also like to recognize Dave Millstein for his support of many ADA-funded projects in recent years.

The capital funding we received this year will be used for the following: To begin a steam line replacement project at Trenton Psychiatric Hospital, to begin an emergency equipment upgrade at CBVI's Joseph Kohn

Center, and to continue development of the State Child Welfare Information System. While our requests have exceeded appropriations each year, the money we have received has helped us to make significant upgrades and to maintain our facilities. While they are still extensive, you can see that the changes each year actually demonstrate the progress made.

Given the number of projects involved in our request and knowing that you have already received some detail on each, I will focus my remarks on the broad themes that drive this request, as well as some reviews of the critical top 25 projects I am requesting. Following that, I will be happy to discuss aspects of any individual project, and have with me today representatives from each of our divisions to provide additional details for you, as needed.

Underlying our overall request are some basic principles: First, this department, as the State's social service agency serving more than one million of New Jersey's most vulnerable citizens, must make sure that we comply with all of the applicable regulatory standards including building codes, fire codes, Federal requirements, and accreditation standards. Our consumer's lives, safety, comfort is our top priority. Their comfort, while residing in our institutions, is also a major concern. Like any prudent homeowner, we have to make wise investments in the maintenance of our buildings and properties to avoid costly repairs down the line.

We have to be good stewards of the New Jersey environment. We want to continue to remediate any environmental problems we discover at our sites, and we want to make sure not to create any new ones. We also want to make our operations as energy-efficient as possible. Please allow me to highlight some of the major projects covered by our request:

Having, with your assistance, completed or started all of the fire suppression projects for our facilities, this year we are focusing on the preservation of our infrastructure. You will note that of the top 25 projects identified by our department, 20 are in this category. The \$32.7 million requested for these 20 projects are for long-needed improvements and replacements to HVAC, electrical, and roofing systems in all of our facilities. As our facilities age, these needs become more critical.

The first project will be to replace the HVAC system in seven cottages and the auditorium on the East Campus of the Vineland Developmental Center. The existing system is over 30 years old, and the units are not able to maintain a temperature of less than 80 degrees in warm weather. This does not meet ICF/MR standards. The ventilation system was not upgraded when large open areas were subdivided into smaller rooms for ICF/MR certification, causing unbalanced air distribution.

Our second request is for the replacement of the steam tunnel at the Woodbine Developmental Center. The steam tunnel is the only source of steam distribution for the entire facility. Steam is used for heating, hot water, and cooking. After extensive testing of the structural integrity of the tunnel, our engineer has concluded the most cost-effective solution would be to demolish the tunnel walls and build new walls. The tunnel ceiling must be demolished and replaced. The Fiscal Year 2001 appropriation of 1.45 million will cover the cost of replacing only 40 percent of the tunnel.

Our third project will replace the HVAC system and emergency generator in the Meese Building at the North Jersey Developmental Center. The Meese Building houses multi-handicapped clients, many of whom require

mechanical feeding. The HVAC units are over 20 years old and cannot be properly balanced.

The fourth project is the HVAC improvements at New Lisbon Developmental Center. This project will replace the cooling towers and air handlers, and rebuild the chillers, which are the only source of cooling for 18 residential living areas and several program buildings. The units, which are more than 20 years old, have been cited by ICF/MR for not supplying the correct air volume and proper heating and cooling temperatures. This project will also replace the boiler, which is 48 years old.

Thus far, you have approved 3.6 million to begin the Statewide Child Welfare Information System for the Division of Youth and Family Services. This year, we are requesting an additional \$7.6 million. As in the past, there will be a Federal match, making a total \$15.2 million available in Fiscal Year '04. This will fund the third year of a multi-year project, which will total \$56 million in State and Federal funds. This computerized system will improve case management, permanency planning, and safety for our children.

I hope this brief overview has been helpful. I thank you, Madam Chair and members of the Commission, for your warm reception and for the funding recommendations that you have supported for the department in the past. I would now welcome your comments and questions.

Thank you.

MS. MOLNAR: Thank you.

I had one question. What is the State's current plans for Greystone?

DEPUTY COMMISSIONER WILSON: Thank you for the question. The current plans for Greystone is to build a new Greystone Hospital that is more efficient, is appropriate for the patient population that we're serving at Greystone, in order to provide appropriate program space, living space, etc.

We're currently in the process of meeting with the architects to establish a plan for the design of Greystone Park.

MS. MOLNAR: So you would demolish the current buildings, or would you salvage it for other reasons?

DEPUTY COMMISSIONER WILSON: At this point, there's no plans to demolish the building. Actually, I think Greystone is a historic facility.

MS. MOLNAR: It is. It is. Okay.

Assemblyman Cryan.

ASSEMBLYMAN CRYAN: Just a couple questions on Priority 1. What is seven ICF cottages? What does ICF mean, for those of us that don't know?

DEPUTY COMMISSIONER WILSON: That's the intermediate care facilities for the mentally retarded.

ASSEMBLYMAN CRYAN: So how many people are in there?

DEPUTY COMMISSIONER WILSON: Thirty-five per cottage.

ASSEMBLYMAN CRYAN: Thirty-five per cottage. I'm just on Priority 1, the auditorium-- Your total requests for \$137 million, the gym, the auditorium--

DEPUTY COMMISSIONER WILSON: Yes.

ASSEMBLYMAN CRYAN: --it doesn't have any air now?

DEPUTY COMMISSIONER WILSON: Correct.

ASSEMBLYMAN CRYAN: So, if it doesn't have any air now, and if we put air there, are we going to expand programs? What's the alternative thing that we're not doing because it doesn't have air?

DEPUTY COMMISSIONER WILSON: Well, certainly, it limits our ability to provide programming during the time of the year when it's extremely hot. It, certainly, as well, during the year -- limits for those individuals who have issues regarding medication and the heat. Also, it's a problem for their health and safety concerns.

ASSEMBLYMAN CRYAN: It's an auditorium?

DEPUTY COMMISSIONER WILSON: Yes.

ASSEMBLYMAN CRYAN: Just for somebody who is not familiar with the place, what goes on in the auditorium? I assume, when weather is good, as opposed to not good, is it programs? What is it?

DEPUTY COMMISSIONER WILSON: The auditorium is a multi-purpose type of facility where, certainly, there are programs and client-related activities in there that have a broad range of activities.

ASSEMBLYMAN CRYAN: Let me tell you why I asked the question--

DEPUTY COMMISSIONER WILSON: Yes.

ASSEMBLYMAN CRYAN: --and it's not to be rude. I mean, you didn't have air up until this year. The State's broke, by all intents and purposes, and yet we need air. It's Priority 1 in your list of total improvements

of \$137 million. Like I'm trying to get there, and it doesn't make any sense to me.

DEPUTY COMMISSIONER WILSON: Well, first of all, certainly for the residents that live in the cottages, this is their home.

ASSEMBLYMAN CRYAN: The cottages I get.

DEPUTY COMMISSIONER WILSON: When they go to the auditorium, it's an opportunity to leave the cottages, to participate in programs, activities, socialization, etc. You can't do that without being concerned about the health and safety of the individuals.

ASSEMBLYMAN CRYAN: We all are. I think that's in agreement. It's safe to say we're all concerned about that.

DEPUTY COMMISSIONER WILSON: Yes.

ASSEMBLYMAN CRYAN: But what do you do now?

DEPUTY COMMISSIONER WILSON: Right now there's fans in there.

ASSEMBLYMAN CRYAN: Okay. All right.

Thanks.

MS. MOLNAR: Any questions?

Mr. McCabe.

MR. McCABE: Yes. On Priority 2, the replacement of steam tunnel at Woodbine Developmental. In FY '01, it was -- the department was appropriated 1.45. It seemed as if that funding wasn't appropriate to complete this project.

DEPUTY COMMISSIONER WILSON: It was inadequate. The steam tunnel was in such a condition that we were only able to complete -- I

think, it was -- 40 percent of the tunnel. In fact, our engineers have told us that the tunnel is certainly at risk of collapsing, based upon its current condition.

MR. McCABE: So what did you do, another re-evaluation?

DEPUTY COMMISSIONER WILSON: Yes. We did some of them. We're starting some of the repairs, I believe.

**JAMES ZAPICCHI:** In 2001, the project was a repair project. When the engineer actually went down and looked at the project, it was way worse than anyone could have imagined. Nine hundred feet of the 1,200 feet could possibly collapse.

MR. McCABE: Okay. But they didn't recognize that back in '01 when they did the initial?

MR. ZAPICCHI: We couldn't hire an engineer without the funds. We can't hire the engineer until we get the money.

MR. McCABE: I understand now. Now it's worse than you originally anticipated.

MR. ZAPICCHI: And we're proceeding with the project to do the first 40 percent, trying to do the worst parts first.

MR. McCABE: Thank you.

MS. MOLNAR: Any other questions?

Mr. Brannigan.

MR. BRANNIGAN: How much of the work that you're requesting is related to the Federal mandates that you're operating under in order to preserve your Federal funding?

DEPUTY COMMISSIONER WILSON: Thank you for the question. All of our projects are related to mandated certification, Federal regulations, and life safety issues.

MS. MOLNAR: Mr. Brune.

MR. BRUNE: Thank you.

Two questions, one on the tunnel. Just so I understand, are we replacing the tunnel or are we just rebuilding the walls around it?

MR. ZAPICCHI: We're basically replacing the tunnel. That's what the project is now. It was originally repair.

MR. BRUNE: One other question. It looks, by our records, there's about -- the back stack was off of the money you've already received. There's something like \$20 million that's uncommitted. I understand that a lot of that is life safety related. But part of what's buried in there are things like a food service building renovation and some minor projects. On your separate list, you've listed maybe seven out of the top 10 priorities are HVAC related. I'm wondering whether there's any life safety issues, in the project you have not been funded yet, from -- which we could fund by reallocating some of what you already have for things like food service and building renovation, that are, at present, I understand, uncommitted.

DEPUTY COMMISSIONER WILSON: I'm sorry. I'm not sure I'm clear.

MR. BRUNE: Okay. I guess what I'm saying is, there's a balance at the moment of about \$20 million that's uncommitted. It is lined up for specific projects.

DEPUTY COMMISSIONER WILSON: Yes.

MR. BRUNE: Some of the projects don't seem to be life safety issues, things like food service building renovations. It's about \$2.7 million, as an example. I guess what I'm asking is, in your first example, it was clear that there's a HVAC issue in your first priority. There are other HVAC issues beyond that, if you look further into your list of what you're now requesting. I'm just wondering whether there's any reallocation possibility, from moneys that you already have that are uncommitted, that aren't life safety, to those projects.

DEPUTY COMMISSIONER WILSON: Depending on what the issues are -- and you represent the food service -- we definitely need to do that. And based upon what our priorities are and those that are unexpected, in the case of an emergency, we would reallocate funds in that direction.

MR. ZAPICCHI: And you have to remember, too, that-- Take the food service, for example, we have architects hired. The project has begun at DEC. I mean, so, to cancel that now, you're also going to throw away the design.

MR. BRUNE: I understand. I guess I'm asking, as you know, most of these questions are coming from the environment that we're in.

DEPUTY COMMISSIONER WILSON: Yes.

MR. ZAPICCHI: Yes, absolutely.

MR. BRUNE: And when you look at an uncommitted series of projects, you don't know, quite, looking at them, what the status is.

MR. ZAPICCHI: But all that money has a project attached to it at a different phase in Treasury. I mean, we're captive to the system. This is how it works. Projects don't get done in a year, unfortunately.

MR. BRUNE: Let me rephrase it just a bit, just to press the point. If we don't have a lot of money to add to the capital budget for a moment, would you still pursue the food service project, as opposed to one of the HVACs that are further back in your list?

DEPUTY COMMISSIONER WILSON: No, not at this time.

MR. BRUNE: Thank you.

MS. MOLNAR: Any other questions or comments? (no response)  
If not, I want to thank you for your presentation.

DEPUTY COMMISSIONER WILSON: Thank you. Good afternoon.

MS. MOLNAR: Our next department is the Department of Health and Senior Services. Is there anyone here from that department yet? (no response)

For now, we're going to do the State Library. I'd like to welcome Norma Blake, State Librarian.

**N O R M A E. B L A K E:** Good afternoon. I have with me Brian Goldsmith, our financial officer.

Good afternoon, Chairperson Molnar and members of the Commission. My name is Norma Blake, and I'm the New Jersey State Librarian. I'm pleased to have this opportunity, today, to thank you for your past support. You have helped the New Jersey State Library and the Library for the Blind and Handicapped to acquire the technology that has helped us serve State residents with computer access in homes, businesses, and at local libraries, because of our Hub infrastructure. You have helped the Library for the Blind to use technology to serve blind, deaf, and physically challenged

patrons. Technology has changed their lives. They get their reading material in the easy-to-use formats; and a newspaper reading service, called Audiovision, that brings the news directly to their homes.

Of course, we recognize the bleak fiscal picture for the upcoming year, and that's why the recommendations we are making today are geared toward long-term investments to improve service and to reduce costs for libraries and their customers.

As State Librarian, I oversee services from two facilities, the New Jersey State Library and the Library for the Blind, located in West Trenton. This year, I want to focus my testimony on facilities and technology needs at both locations, where we serve on-site and online. Facility needs are the greatest at the State Library. We offer services from a building that is almost 40 years old. The only renovation to this building was made a decade ago, in the early '90s, when renovations were made on two of five floors, and now the building is badly out of date.

The systems were designed for the traditional library of the '60s, not the information needs of the 21st century. We cannot add the number of computers that researchers are looking for. We cannot provide the training facilities necessary for our customers, and we cannot provide laptop or distance learning support. And yet, we are supposed to be New Jersey's premier library, the leader and model for all the libraries in the State of New Jersey.

Our submission includes a request for \$400,000 for a feasibility study of the State Library's building needs. We need to look at our options: to build a new facility at another site, or to build an addition to the existing facility and renovate the existing space. This is a long-term effort, and to

change the public library facility is a long-term commitment, but the key to this will be the study that will help us plan.

We also have immediate capital needs. When the State Archives moved to the newly renovated quarters at 225 West State Street, we made the commitment to create a periodicals reading room. We started the project with fund balances from other programs, but we need \$184,000 to complete the wiring, the moving of the collection, and the furnishing of the space for use by the public. If we can finish Level 2 of the State Library, we can bring back one-sixth of our collection that sits out in West Trenton at the Library for the Blind. It's very inconvenient. You can imagine someone coming all the way from Cape May to use materials that are not even on site -- they're stored someplace else. It will also make more space at the Library for the Blind for their expansion of their collections, which will allow them to add more talking-books and other materials.

And now I'd like to talk about our technology needs. I thanked the Commission earlier for giving us a good start on the technology. We've been able to serve residents statewide and have also saved taxpayers a lot of money. For example, in the past year, we initiated JerseyCat, which is our new Web-based virtual interlibrary loan system. Last year alone, 1.5 million items were shared, instead of bought, by New Jersey libraries. If they had had to buy those items, instead of sharing them, at an average cost of \$35 an item this would have cost New Jersey taxpayers \$52 million.

We see the same savings in our 24/7 available statewide quality databases. If all of the libraries -- public, academic, special, and school libraries -- that have access to those databases bought with statewide contracts -- have

had to buy them individually at \$15,000 apiece, it would have cost New Jersey \$27 million. We only paid 1.3 million for those databases, so we have saved New Jersey taxpayers approximately \$26 million.

This year we're requesting \$380,000 for technology projects for the State Library and 144,000 for funding for the Library for the Blind and Handicapped. With these funds we will provide our customers with online access to nonprint materials, purchase a wireless training lab for our customer-training, upgrade our local area network and servers to provide technology to the local libraries we serve through our Hub network. We will replace our out-of-date, automated library system that we use for circulation of materials, information searching, and interlibrary loan. We will provide a telephone-based, public access catalog for users of the Library for the Blind, and we will purchase additional Audiovision receivers and install a customer self-select system for Audiovision. And what that means is, that the blind and handicapped can then listen to the newspapers and other programs of their choice at any time of day that is convenient to them.

We are also requesting \$222,000 for a shelving project for master copies of cassettes available at the Library for the Blind. The projects I've mentioned are all relatively inexpensive, but it will mean a lot to customers locally and across the State. After all, our business is booming. Last year alone, attendance at our public libraries rose over 2 million to 40,842,000, and the circulation of library materials rose over 3 million to 48,590,000. Last year, enough of our residents visited New Jersey libraries to fill Giant Stadium 519 times.

So we urge you to support our requests that we have made today. They are modest, practical, and much-needed. We need the feasibility study to become the best State Library that government, local libraries, and residents could ever imagine. We need technology to help others receive information services they are seeking; and we need to expand our commitment to the blind, deaf, and physically challenged children and adults of New Jersey. We can only accomplish this with your help and support.

Thank you for your time.

MS. MOLNAR: Thank you.

I have one question. Pending before the U.S. Supreme Court is the issue of whether public libraries will have to filter their Internet access. Have you ever costed it out -- what it will cost your library if you had to filter?

MS. BLAKE: For the State Library?

MS. MOLNAR: Yes.

MS. BLAKE: I don't have those figures in front of me, no.

MS. MOLNAR: Okay. Any other questions or comments?

Mr. Roth.

MR. ROTH: Good morning.

I've got a question about the 222,000 for shelving.

MS. BLAKE: Yes.

MR. ROTH: How many shelves are involved, and how many cassettes would be stored on those, and where are they stored now?

MS. BLAKE: The problem is that we are just about out of room on compact shelving. This is compact shelving.

Do you recall the number of cassettes it can store?

**BRIAN GOLDSMITH:** Actually, right now, the cassettes are stored on standard shelving. So what we've proposed to do -- and we're basically out of space -- what we propose to do is put compact shelving in the same footprint, and this will allow us -- I believe it's about a 40 percent increase in the storage capacity.

MR. ROTH: How many cassettes are we talking about?

MR. GOLDSMITH: I don't remember right off the top. We can get back to you with that.

MR. ROTH: Well, you know, obviously, if you need the space, then some of these cassettes aren't even available. Are you planning to buy them or--

MS. BLAKE: These are master cassettes. They are available from the National Library Service, and what we do is, we keep one copy. We have close to 100,000 total cassettes. We keep one copy of each, and they can be duplicated. There is special copyright considerations for use for the blind and the handicapped. So, if a tape breaks or if additional copies are needed, we can copy them. But we keep one of each cassette that's available.

MR. ROTH: Oh, 100,000 cassettes is the number that I was interested in.

Thank you.

MS. BLAKE: Okay. I'm sorry.

MS. MOLNAR: Okay. Do I hear questions or comments?

Mr. Brune.

MR. BRUNE: I just have one question. In the \$380,000 request, which I believe is your first priority, do you know how much-- I'm assuming there's pieces of that that are separable from one another, or are they--

MS. BLAKE: Yes.

MR. BRUNE: Okay. You made a statement about providing customers with online access to nonprint materials that are heavily requested. Is there one piece of the 380 that goes to that?

MS. BLAKE: There is a 55,000 CD-ROM and DVD access piece to that. If you look on the last page of the testimony, there is a breakdown of the funding. The server and LAN upgrades are 145,000, and the rest of that goes to the training lab and to the online system used at the State Library.

MR. BRUNE: So let me see if I understand you. The answer to the question about improving the online access to nonprint materials is how much?

MS. BLAKE: It's about 200,000 of the 380,000.

MR. BRUNE: Okay. Thank you.

MS. MOLNAR: Any other questions or comments? (no response)  
If not, I want to thank you for your presentation.

MS. BLAKE: Thank you very much.

MS. MOLNAR: Our next department is Department of Treasury, Interdepartmental Accounts. I'd like to welcome Edmund Jenkins, Director, Division of Property Management and Construction.

Could you identify everyone?

**EDMUND JENKINS:** Absolutely. My name is Ed Jenkins, Director of the Division of Property Management and Construction. With me today,

to my left, is Dave Millstein, who is our ADA Manager; to my right is Bernie McLaughlin, our Deputy Director of Property Management; and to his right is Paul Shidlowksi, our Financial Manager.

Good afternoon, Madam Chair, Commission members, and thank you for the opportunity to present the Department of Treasury's Fiscal Year 2004 interdepartmental capital budget request.

As you are aware, the major components of the division's overall statutory mission include the ongoing operation and maintenance of office space in the Capitol Complex and the renovation of the State-owned facilities. Therefore, the division's interdepartmental capital budget request is driven by its responsibility to safeguard the conditions of these facilities, preserve the State's investment in these assets, and ensure compliance with current workplace standards and codes.

The Fiscal Year 2004 capital budget requests a total of \$117.4 million to fund projects over seven years. Of that total, approximately 30 million is requested in Fiscal Year '04. Recognizing the State's tight fiscal constraints and the division's responsibility to provide for the safety of our buildings and tenants, all Priority 1 projects in this year's request focus on security, and health and life safety issues.

In response to national events in Fiscal Year '03, the Capital Commission approved the DPMC's request to establish a new statewide account to implement security projects for the various State agencies. The division, working in conjunction with the State Police, identified various security projects that will be funded using Fiscal Year '03 appropriations, including the installation of additional card access and biometric screening of

employees seeking entrance to restricted areas, concealed vehicle barriers, and bollards at the Health Laboratory; an upgrade of security recording capabilities from VHS to digital at the State House and others locations; and an upgrade of the Compass 3E security systems to unify operations and allow for the use of all Smart Card technology.

In view of ongoing security concerns and the need to safeguard State employees in the workplace and the public who visit State facilities, the DPMC is requesting continuation of the statewide account established in '03. The division is, currently, working with the State Police to complete a comprehensive vulnerability assessment that, for the first time, includes not only risk management issues, but also the potential for State buildings to be used as terrorist targets. The completion of this assessment will provide the necessary information, not previously available, that will enable the division to more clearly define projects to be funded by this account.

The remaining priority projects address health and life safety issues, and correct deficiencies or provide necessary cycle maintenance to prevent further deterioration of building support systems. Of particular importance are projects that request funding to make repairs to failing building systems.

For example, the State Library is sustaining water infiltration resulting in severe cracks and damage to the interior wall systems. Continued exposure to moisture could cause mold spores, creating a serious health issue for employees and visitors, and deterioration of exterior panel fastening systems resulting in possible failure and collapse of the facade panels. Of

course, sustained water infiltration also jeopardizes the Library's valuable book collection.

Both the Health and Agriculture, and Van Sciver buildings require repair or replacement of several critical building systems to address health and safety requirements. In Fiscal Year '02, funding was appropriated to perform a space planning and facility evaluation of the Health and Agriculture Building. Due to budgetary constraints, that funding was placed in reserve and subsequently lapsed. The division is resubmitting the request for the complete renovation of the Health and Agriculture building in this year's capital request. However, the immediate repair of some building systems is required, including air handlers, air distribution ducts, and exhaust systems, not only to address life safety requirements, but also to preclude further deterioration of environmental conditions that have a negative impact on the various biological-, chemical-, and disease-related testing activities conducted in the Health laboratory.

Similar to the situation of the Health and Agriculture building in Fiscal Year '02, funding was appropriated to begin the design for the renovation of the Van Sciver Building. The request for the construction of the designed improvements to this facility is being resubmitted in the Fiscal Year '04 capital requests. However, again, some critical repairs are required to ensure the safety of State employees and compliance with life safety standards. If approved, repairs would be completed to stabilize the building envelope, including replacement of the roof, restoration of exterior walls and windows, and an upgrade to the HVAC system.

The division's Fiscal Year 2004 requests also includes maintenance projects to repair and replace roofs and carpeting, restore parking lots, and paint offices. While these projects are not typically considered capital improvements, the significant volume of the deferred work raises the requests to the capital level. If not addressed, these deficiencies will continue to deteriorate, resulting in costly emergency repairs or financial implications due to safety hazards.

While not categorized as top priorities, the DPMC included several projects in this year's request that have potential positive fiscal implications aimed at saving the State significant dollars in the coming years. Two of these projects request funding for parking garage studies designed to make more efficient use of State-owned space and reduce parking leases, resulting in savings to the Central Rent Account. These projects are becoming urgent, given that the city of Trenton has formulated plans to develop housing on the sites of two of the State's existing parking lots, which will displace over 1,500 parking spaces.

In addition, the State has been planning a consolidation of multiple leases in the Hammonton/Atlantic City area, as part of an overall lease reduction program mandated by the Statewide Master Plan. This project involves the former Troop A State Police Barracks in Hammonton that has been declared surplus. The building itself is beyond useful life and would be too expensive to renovate. However, the site affords an ideal central location for an office consolidation. If approved, the funds requested would be used to conduct a feasibility study for the construction of a new 120,000-square-foot

office building, allowing the State to eliminate nine leases from the Central Rent Account.

Finally, the interdepartmental capital budget also includes a project request for statewide accounts, including the Americans With Disabilities Administration. Approval of this request will continue funding for design and construction costs for accessibility projects ensuring New Jersey's continued leadership in compliance with the goals of ADA.

I would like to thank the Commission for its consideration of this year's capital budget and past support. Approval of these requests will fund renovations and upgrades to address health and life safety concerns and provide seed money for projects that would generate cost savings to the State. This funding will allow for much needed security improvements throughout the Capitol Complex, to ensure the safety of employees and the public.

Money appropriated to address these issues is not only an investment in the infrastructure, but, perhaps, more importantly, an investment in our people. State employees and constituents who use our services are oftentimes subjected to less than ideal conditions. Leaking roofs, unresponsive HVAC, and frayed carpeting all contribute to a general employee malaise associated with certain facilities. It is an unpleasant reflection on my division, the Treasury Department, and the entire State of New Jersey.

I urge you, as you contemplate these requests, to picture yourselves working in an environment not conducive to your best aspirations. Projects such as a new roof, air handler installation, and carpet replacement are not sexy projects, yet they are absolutely critical to the pursuit of a clean and

safe work environment. It is incumbent upon all of us to seriously consider these requests that are all too often denied.

Again, I thank you, Madam Chair and members of the Commission, for the opportunity to present this year's requests. I would also like to thank John Geniesse, Ken Kutch, and the Commission staff for their ongoing support and assistance.

My team and I are now at the ready to field any questions that you may have.

MS. MOLNAR: Thank you.

Any questions or comments?

Assemblyman Cryan.

ASSEMBLYMAN CRYAN: Thanks for your testimony. Thanks for your information offered. Could you take me through the 1,569 parking spaces that are going to disappear, if I heard you correctly?

MR. JENKINS: Yes, sure. There's two different parking areas. One is Area 31, and we can show it has about 400 spots. The other one, and the most important one, is behind the Justice Complex. We lease that from the city. That has about 1,100 spots. There's a 60- or 90-day notification where, because it's a lease, the city could, in theory, write us a letter tomorrow and say we have to be out of there in 90 days. Were that to occur, we would have 1,100 spots and no place to put them. So we have to, at least, think about building a garage or not providing parking or something, because they are going to go away. Maybe not tomorrow, but eventually, the city is going to put housing there and is going to request that we leave those spots.

ASSEMBLYMAN CRYAN: Okay. These housing plans that are-- Here, what I'm reading is, and what I heard you say is, the city of Trenton has formulated plans to develop housing.

MR. JENKINS: That's correct. To take advantage of the--

ASSEMBLYMAN CRYAN: So are there housing plans for the 1,169--

MR. JENKINS: Yes. In those two parking lots, the city is probably in the fourth inning, say midway, of putting plans together to put mixed-income housing to take advantage of the river. So that will occur. We don't know when, but it will occur. It just behooves us to be proactive, rather than reactive.

ASSEMBLYMAN CRYAN: And 90 days notice so we can--

MR. JENKINS: Yes, they could.

ASSEMBLYMAN CRYAN: I mean, at the end of the day, the State still has eminent domain, right?

MR. JENKINS: Sorry.

ASSEMBLYMAN CRYAN: At the end of the day, the State still has eminent domain there, the end of the day?

MR. JENKINS: I would guess, yes.

ASSEMBLYMAN CRYAN: On that same page, the construction of 120,000-square-foot office building. Without going into that too much, the nine leases--

MR. JENKINS: Yes.

ASSEMBLYMAN CRYAN: How much do we save there?

MR. JENKINS: That's a stretch. We would save, over 25 years, about \$44 million. The payback would be 12 years. It's a stretch. But I mean, again, there's not much down in Hammonton. We have substandard leases, about eight or nine of them today. It would be a nice thing to -- if we're going to stay down in Hammonton, again, there's not much there -- to build something. It would pay back in 12 years.

ASSEMBLYMAN CRYAN: My last question is on Priority 1, and it's right off the discussion of the Capitol Complex security upgrade.

MR. JENKINS: Yes.

ASSEMBLYMAN CRYAN: What I'm reading here is that you received an initial funding of \$3 million. Is that correct?

MR. JENKINS: That's correct.

ASSEMBLYMAN CRYAN: It's reasonable to ask: Where are we today, and, then, where are we going?

MR. JENKINS: Well, that's a good question. The study, as you can imagine, is very sensitive. It's literally under lock and key by the--

ASSEMBLYMAN CRYAN: Well, without bolstering State secrets.

MR. JENKINS: --State Police. There appears to be earmarked about 2.6 million of that 3 million for projects such as new safety bollards, additional fencing, more cameras. So, to capsulize it, we know the what, but we don't know the when, the where, or the how many. So it's hard to put a price tag on it until the State Police gives us the entire report, and they're still working on it and crystallizing it, as we speak.

ASSEMBLYMAN CRYAN: We're looking for 3 million more this year, right?

MR. JENKINS: That's correct.

ASSEMBLYMAN CRYAN: And we don't know how much is at the end of the barrel?

MR. JENKINS: Not really.

ASSEMBLYMAN CRYAN: Right?

MR. JENKINS: Right.

ASSEMBLYMAN CRYAN: Okay. The last question for me. Does the fire alarm work, in Priority 2? I mean, if there's a fire today, does the thing ring?

MR. JENKINS: Well, you know the mantra, the common mantra, that the components and the parts aren't being made anymore.

ASSEMBLYMAN CRYAN: I hear that an awful lot here.

MR. JENKINS: I know you do. I was here the last meeting. But it's true. We're being told that it's on the precipice of extinction. Take that for what it is, and the components and the parts won't be made. Eventually, while it would be okay for a few years, sooner or later it won't be working and it won't be able to be maintained. So, again, this is a proactive, rather than a reactive--

ASSEMBLYMAN CRYAN: Thanks.

MR. JENKINS: You're quite welcome.

MS. MOLNAR: Any other questions or comments?

Mr. Brune.

MR. BRUNE: Ed, just one question. Some of the projects -- like the fire alarm, possibly Van Sciver, Health and Ag -- are any of those, in any

way in your estimation, subject or eligible for the Building Authority to consider?

MR. JENKINS: I don't know. Could I defer that. Would you have any--

**PAUL SHIDLOWSKI:** Mr. Brune, through the Chair. Yes, they potentially could be funded through the Building Authority. They are of a magnitude that would probably be appropriate for bonding. We're not recommending how the Commission decide to fund these various projects. We're identifying the need. We actually had the money to pursue both of those projects in past years. Due to the financial situation of this State, we had to pull them back. The need is still there. Both of those buildings are the last two in the Capitol Complex that have never had any serious renovation projects. The method of funding we would leave to your--

MR. BRUNE: Yes. I was asking, Paul, I guess, on the Health and Ag building, because the use of the term -- near-term improvements. I didn't know whether that meant--

MR. SHIDLOWSKI: Well, what we had done -- and I don't know if there was any confusion about this -- we had actually submitted for both Health and Ag and (indiscernible) Van Sciver -- two different levels of projects. The overall renovation project, which is the full-blown fit out of both buildings, all of the building systems, etc.-- And then, in addition, we submitted another project -- the more urgent concerns that have to be addressed. If we decide not to go forward with the full-blown renovation, we scaled back to what we consider to be the absolute priorities for both of those buildings.

MR. BRUNE: And that's what this is?

MR. SHIDLOWSKI: Yes.

MR. BRUNE: Okay.

Thank you.

MS. MOLNAR: Mr. McCabe.

MR. MCCABE: Priority 9, the War Memorial. It says there is a new HVA system that was put in. How new is that?

MR. JENKINS: That was done within the last couple of years. It's not a design issue. It's a function, I guess, of the War Memorial not being used as much as it could. If the War Memorial is packed, the design works fine. But the fact that many days goes by with nothing happening in there, that's the issue. The HVA system never runs long enough to properly dehumidify. So there has to be something-- So you would say, "Well, if nobody is in there, what does it matter?" But we spent millions of dollars retrofitting the inside, there's certain paints and artwork and such that could be hurt.

MR. McCABE: My question is, since it is relatively new, I guess you're confident now that the specs and the design will be adequate enough?

MR. JENKINS: Well, we'd have to effort that. But, yes, we would work towards that.

MR. McCABE: Thank you.

MS. MOLNAR: Mr. LeBlanc.

MR. LeBLANC: Just to follow up on that question. This was a recent dehumidification system installed, right? Has there been any attempt to recover from the original contractor for-- This should be a perfectly operational system right now. There should be no need to spend a half-million

dollars to replace something so recently installed. Is there any kind of a warranty being pursued or some sort of remediation from the contractor?

MR. JENKINS: That's a good question. That was before my time. It's my understanding--

Do you have some information, Bernie.

**BERNARD McLAUGHLIN:** Yes. It's not that the system-- The system is actually working the way it was designed to work. What, I guess, is wrong, in the scope, is that it's not running enough. It's an automatic system. It shuts off unless called for by temperature. There's not enough people in the building to raise the temperature to keep it running consistently. I guess we could run it manually all the time, and then you start running into some very huge, unnecessary electrical costs. There's nothing wrong with the system. The system was designed for a building that houses *X* amount of people, and we've got significantly less than *X* amount of people in the building.

MR. LeBLANC: I guess I'm not understanding. What is the solution to that? What's the proposed solution, again? I'm missing something here.

MS. MOLNAR: Could you identify yourself for the stenographer, and you have to speak into the microphone. Thank you.

MR. JENKINS: This is Bob Albright, our Building Manager for the Capitol Complex.

**ROBERT ALBRIGHT:** There's an additional load to be placed on the system so that it would actually sense additional temperature in the building. So it would be, actually, like adding a couple extra heating coils. It's similar to what you do with a computer room air conditioning system. You

have to chill the area down and then warm it back up so that you don't build up humidity in your room. I don't know what kind of office environment you're in, but if you come in on Monday morning where you have no humidification, you'll notice your copy machines don't work properly. You get constant humidity in the paper, the paper sticks together. Basically, the same things happens over there.

I've got a system that was designed based on an occupancy code for *X* number of people, and that system runs during normal operating hours, but the people aren't in the building, as Mr. Jenkins said. So what we'd do is we would design componentry (*sic*) into it to put a false load on it. That false load would then allow us to dry the air back out.

MR. LeBLANC: Okay. So this wasn't a fault of the original plan. In a sense, it should have been foreseen, right, that this would have been a need in the original renovations. Is that fair?

MR. ALBRIGHT: I don't know if it could have been foreseen, because you're required, based on the indoor air quality, to bring in *X* amount of outside air based on the number of occupants that the facility is designed for. So they don't -- the code doesn't look at whether the 100 people the system is designed for is in the building or not. The code just requires that the outside air is there for that 100 people. If we had performances every night of the week, and not only the Patriot Room was full, but the other smaller rooms were full, we would not have a problem.

MR. LeBLANC: So you don't see this as a recovery issue with the original contractor, or do you?

MR. ALBRIGHT: Excuse me?

MR. LeBLANC: Are you concluding that there is no recovery action that would be viable?

MR. ALBRIGHT: No, there's no recovery against the contractor or the design professional.

MR. LeBLANC: Okay.

Thank you.

MS. MOLNAR: Can I ask a follow-up question of that? I happened to run into an architect who was involved with the hotel that they built right next to the War Memorial. I don't know if it's a Marriott?

MR. JENKINS: Yes.

MS. MOLNAR: He told me that the Marriott was strategically placed where it is, because the Marriott intends to use the War Memorial as part of their convention center. Is it possible that the use may pick up at the War Memorial, in light of this hotel expanding its convention usage?

MR. McLAUGHLIN: Yes, that's the ultimate plan -- that we would fill it and that the hotel would be a big part of it. The State has an agreement that -- with the Department of State, and, in fact, they maintain the building right now.

MS. MOLNAR: Would this alleviate the need for this additional capital improvement, if you're going to be running it more often, the HVAC, in light of this?

MR. McLAUGHLIN: Conceivably, if it was full 100 percent of the time. The indications we have now, from both the Marriott people and the people that represent the State there, is that this is, maybe, quite some time away before they get that kind of people in there.

MS. MOLNAR: Oh, okay. All right.

Sure. Assemblyman Cryan.

ASSEMBLYMAN CRYAN: I know this is Priority 9. What costs a half-a-million bucks and how old is this problem? What makes it over a half-a million dollars to fix it, and how old is the system, as Mr. McCabe asked earlier?

MR. ALBRIGHT: The building was opened up, approximately, two-and-a-half, three years ago.

ASSEMBLYMAN CRYAN: All right. So it's a three-year problem. Have we had other estimates in previous years to fix this thing? It's not a new problem is it?

MR. ALBRIGHT: This project, actually, was approved in the last capital budgeting cycle and was removed due to budgetary constraints.

ASSEMBLYMAN CRYAN: How much was it approved for?

MR. ALBRIGHT: The same dollar value.

ASSEMBLYMAN CRYAN: Really? You sure?

Paul?

MR. SHIDLOWSKI: It was about \$300,000.

ASSEMBLYMAN CRYAN: How is it 550 now?

MR. SHIDLOWSKI: A combination of the fact -- there's, I think, half the time when we made the original estimate, we were looking at the cost of the equipment to be installed. We hadn't considered all the additives, contingencies on the design work that would need to accompany that construction project, plus the additional two years since the project was originally conceived added some inflationary costs, as well.

ASSEMBLYMAN CRYAN: Well, it got approved last year, right? Last year it got approved for 300,000.

MR. SHIDLOWSKI: Yes.

ASSEMBLYMAN CRYAN: And now it's close to twice the price? Close, it's close enough. Why?

MR. SHIDLOWSKI: Again, I think that when the project was originally estimated, it wasn't a fully loaded cost that was presented to the Commission for approval. Since that time, we've actually had a consultant that did some preliminary work and provided us with a fully loaded cost estimate.

ASSEMBLYMAN CRYAN: Okay. So this is a fully loaded cost estimate?

MR. SHIDLOWSKI: Correct.

ASSEMBLYMAN CRYAN: There's a common consensus that is, you need hot air in there. By the way, I sit on the Assembly Budget Committee, and we can provide you with plenty of that. (laughter)

I have one other question for you, and that's on Priority 3. The water intrusion, because we heard from the Librarian earlier. Just could you, again, just as an understanding -- it's only 285,000 this year, but there is 3 million already allocated. Is that correct, and where are we in that process?

MR. GENIESSE: If I may interject here, Assemblyman. That was a mistake -- in the analysis that you're reading of -- the 3 million. There has not been 3 million.

ASSEMBLYMAN CRYAN: Good. Okay.

Thanks. That's it for me.

MS. MOLNAR: Any other questions or comments? (no response)  
If not, I want to thank you for your presentation.

MR. JENKINS: Thank you very much.

MS. MOLNAR: Our next department is the Department of Health and Senior Services. I'd like to welcome Commissioner, Dr. Clifton Lacy.

Good afternoon. Could you identify your staff for the stenographers.

**COMMISSIONER CLIFTON R. LACY:** It would be a pleasure.

Good afternoon and thank you for the opportunity to be here and present the Department of Health and Senior Services capital needs for Fiscal Year 2004.

Let me introduce our staff. With me today, to my left, is Mr. James Blumenstock, our Senior Assistant Commissioner for Public Health Protection and Prevention; Mr. Dennis Flynn, to his left, Acting Assistant Commissioner for the Division of Public Health and Environmental Laboratories; Donald Weinbaum, to the far right, your far left, of the Division of Addiction Services; to my immediate right, Mr. James Houston, Assistant Commissioner for Management and Administration; and hovering behind us, John Fasanella, Budget Chief for the Department of Health and Senior Services.

Can I start?

MS. MOLNAR: Sure.

COMMISSIONER LACY: So once again, good afternoon. It's a pleasure to be here.

Before we discuss the department's capital needs for Fiscal Year 2004, I'd like to update you for a moment or two on the status of a very important Department of Health and Senior Services initiative, which is the replacement of our current deteriorating laboratory facility, which, as you know, is more than 37 years old at this time.

This Commission has heard previous testimony from former commissioners about the criticality of a new laboratory for the Department of Health and Senior Services. The need for this state-of-the-art new laboratory has been well-documented and the events of a year ago, when our labs and their staffs were stretched to the limits during the anthrax attack, re-emphasizes the basic fact that a critical component of a bioterrorism preparedness is a fully equipped and a secure State laboratory.

We have recently submitted an unsolicited request to the State's congressional delegation for \$120 million to fund the construction and the fit out of a 240,000-square-foot facility, which is recommended by CUH2A, a consulting firm retained by our department several years ago. This proposed facility would accommodate both the Department of Health and Senior Services and the Department of Agriculture's laboratory needs.

We're also in discussions, currently, with the Treasurer and the Attorney General to examine other ways to finance this endeavor. We will continue to explore options with the Economic Development Authority and the New Jersey Building Authority.

Following the recommendations of CUH2A, the consulting firm, the department is prepared to move to the detailed planning and the hard-design phase of the new facility. As an interim measure to provide critically needed space, to address overcrowding and to allow for service expansion, the Department of Health and Senior Services is actively pursuing approximately 40,000 square feet of off-site laboratory space, which would be retrofitted as bridge space, as we continue terrorism preparedness activities. The cost associated with satellite laboratory space is covered in the Fiscal Year 2003 Medical Emergency and Disaster Preparedness for Bioterrorism appropriation.

Now, as we move forward with New Jersey's bioterrorism preparedness and response plan, it is also equally important to address the capital needs to replace and upgrade our equipment and to perform the necessary health and safety renovations to the existing facility, in order to maintain a safe environment for our laboratory workers, and efficient and effective services.

To accomplish this, the Department's Fiscal Year 2004 capital budget request includes \$2.33 million. This request includes the purchase of replacement laboratory equipment and laboratory renovation. Of the 2.33 million, 1.93 million is to replace outdated technologies in our diagnostic laboratories, as we increase our capabilities to detect and identify public health threats with a greater degree of accuracy and speed.

As you are aware, generally the life span of lab instruments is between five and seven years, and replacement is needed to maintain the technical capability to detect both environmental and health problems.

New and replacement technologies are required to remain current and to automate laboratory systems in newborn screening, drinking water quality, and other important areas of public health. Since the new facility is in the second stage of planning and implementation, and negotiations are currently in progress for satellite laboratory space, we will continue to use our requested facility repair funds only for the most pressing health and safety issues. These include HVAC air balancing, chemical-fume hood replacement, water system replacement, and ongoing temperature control issues.

The budget also includes two requests to expand residential substance abuse treatment facilities statewide, and I'll discuss those now. The passage of Chapter 243, P.L. 2001 creates a drug court where judges have the option to refer offenders to treatment rather than to put them in jail. Treatment has been found to decrease recidivism, decrease crime, and cost. After a pilot launch over several years, this initiative is expanding statewide, and it's anticipated that there will be five new drug courts beginning in July of '03.

We need 400 new substance abuse treatment beds for drug court offenders over the next three years. The FY 2004 capital budget request includes \$3.25 million for capital grants to private, nonprofit drug-treatment programs to create 125 of these beds.

The other request would implement the number one recommendation by the New Jersey Substance Abuse Task Force, which is the need for both short-term and long-term residential treatment beds. The need is especially great for under-served populations such as women, people with disabilities, adolescents, and people with convictions for drunken driving. To

increase the residential bed capacity by 174 over three years, we are requesting \$1.079 million this year, with a total of approximately \$4 million over the three years.

Finally, we are requesting \$60,000 to replace the telephone system in the Division of Environmental Health. This system is more than a decade old, and it is impossible to obtain replacement parts. Routine business demands include the need to conduct conference calls with outside agencies, and they are, currently, very difficult to arrange given the limitations of the current system.

That concludes our prepared comments. We appreciate the opportunity to appear before you today. My colleagues and I are available and would be pleased to answer any and all questions.

Thank you.

MS. MOLNAR: Thank you.

One question. Will there be any funding available from the new Homeland Security?

COMMISSIONER LACY: For some aspects of what we've discussed here, there is some Federal funding available, but not specifically for those items that are being requested. There is complimentary funding. There is funding available, for example, for laboratory enhancements, but not, specifically, overlapping this.

MS. MOLNAR: Okay. Thank you.

Any other questions or comments?

SENATOR LITTELL: May I ask a question?

MS. MOLNAR: Sure.

Senator Littell.

SENATOR LITTELL: What are you doing about implementing the HIT Program, which would save upward of \$500 million or \$600 million a year in health care in the State of New Jersey.

COMMISSIONER LACY: Senator, I'll need to get back to you on that. I don't have up-to-date information on that available right now.

SENATOR LITTELL: Okay. So Health Information Technology--

COMMISSIONER LACY: Yes. I know the program. I just need to give you -- to be able to get an update on the progress.

SENATOR LITTELL: Okay. Thank you.

MS. MOLNAR: Thank you, Senator.

Any other questions or comments?

Mr. Geniesse.

MR. GENIESSSE: Commissioner, you probably are aware that Judiciary is -- hopefully you might be aware -- that the Judiciary is requesting funding for the drug court for Fiscal Year 2004, and they have requested some capital funding, as well, for the construction. It seems to differ somewhat from your request. So I don't know -- is there a reason for the difference? I think they requested approximately 8 million.

COMMISSIONER LACY: Jim, would you?

**JAMES HOUSTON:** John, at the time we submitted the request, we didn't-- The Judiciary wasn't sure whether or not they were going to ask for the money, so we submitted our request. Frankly, we didn't realize that they had done so until we saw your comments. So we've not had an opportunity to reconcile their request with ours. We can do that--

MR. GENIESSE: Yes, it would probably be good.

MR. HOUSTON: --sometime between now and the next week or so.

MR. GENIESSE: Yes, within the next week or so would be good to try to have a meeting of the minds on--

MR. HOUSTON: I know you need the information for your meeting next month. Yes, so we can reconcile that and get it up to you by the end of next week.

MR. GENIESSE: Okay.

Thank you.

MS. MOLNAR: Any other questions or comments?

Mr. Brune, you have a question?

MR. BRUNE: Yes.

MS. MOLNAR: Okay.

MR. BRUNE: Just two questions. I suspect I know the answer to this, but assuming we have a satellite lab, as you mentioned here or, in fact, a full facility, the equipment we're about to buy, if applicable, could be moved to those facilities, I'm assuming.

COMMISSIONER LACY: Yes, absolutely.

Jim, would you?

**JAMES BLUMENSTOCK:** Yes.

All of the equipment that we will be purchasing are moveable, and they could be reinstalled in any facility, whether it be the larger, permanent facility or satellite facility.

MR. BRUNE: Okay. The other question is fairly minor. But traditionally, I think, in the budget, when we provide money for a nonprofit -- I should say a third party private facility -- it shows up as a grant. I'm wondering, and I want to make sure -- if for some reason there's a technicality here -- that this need is, at least, represented on your budget side, the more typical budget side, outside of capital process. I'm not sure if you want to consider that today. But I think, typically, those things don't come in as capital needs, but--

MR. HOUSTON: We've really split the capital and the operating, so this is a capital request. We've tried to follow, I guess-- I know, historically, Human Services, in years past, has provided capital grants to some of the private nonprofits, particularly in the developmental disabilities area for group homes and those types of things. So we we're looking to the capital piece for drug treatment facilities in our capital budget, and operating grants to drug treatment facilities to keep them going on an annual basis in our operating budget, our planning guide.

MR. BRUNE: Thank you.

MS. MOLNAR: Any other questions or comments?

If not, I want to thank you, Commissioner, you and your staff.

COMMISSIONER LACY: Thank you very much.

MR. GENIESSE: Madam Chair, the Treasurer was here, briefly, about 25 minutes ago. He had to run for a quick meeting with the Governor. He was going to get back, he said, within a half an hour to present the debt report. So I don't know if you suggest taking a break.

MS. MOLNAR: Do you have any Executive Director's report at all? Anything you want to update the Commission -- prior to our taking a break.

MR. GENIESE: Nothing of any significance. Just to remind the Commission members that our next meeting, which is in four weeks -- the staff will present its recommendations to the Commission. The voting on those recommendations will require the Commission members to be present. I believe we can also do that by teleconference, as well.

MS. MOLNAR: We're also asking the departments to be here, in the audience, in case there are questions.

MR. GENIESE: Yes. We would suggest to the departments it's in their interest to be here in case any questions come up.

MS. MOLNAR: And, hopefully, the issue on the courts with Judiciary will be set -- rectified by then, reconciled.

MR. GENIESE: Yes. And I believe Mr. Brune is right, that we normally wouldn't appropriate State capital money for private, nonprofit capital construction. It would be in the form of a grant. So, if we were to recommend funding, we would probably recommend that it be grant funding.

MS. MOLNAR: Okay.

So any questions or comments before we take our break? (no response)

Hopefully, a short break.

MR. GENIESE: Right.

MS. MOLNAR: We ask that you not leave, because then we won't have a quorum. So stay in the immediate area, okay?

MR. GENIESSE: Oh, here he is. Okay.

MS. MOLNAR: We're back on.

MR. GENIESSE: We're back on the record.

MS. MOLNAR: I'd like to welcome our Treasurer, John McCormac. Do you want to make any comments? We all received your debt report. I want to thank you.

**TREASURER JOHN E. McCORMAC:** Just to thank you, Madam Chair. The report is in the same format as normal. We have, since June 30, had a couple of financings that I could just touch upon very briefly. The second piece of school construction, which was successfully sold several weeks ago-- There was a general obligation refunding bond issue sold a couple weeks ago, provided about \$37 million in up-front savings to the State budget. And just yesterday, we priced an Educational Facilities Authority's issue for 195 million for the capital improvement fund that will close next week. And there are several other pricings and closings on the horizon.

So the market appears to be, still, fairly strong for New Jersey paper, and we're very happy with that. Other than that summary, everything seems -- is pretty much in line with the report that you've received for the past several years. I can entertain any questions on any specifics.

MS. MOLNAR: Okay.

What kind of rate are we getting on the refunding?

TREASURER McCORMAC: The refundings -- they've all been low-to-mid fours, which I think yesterday was a 4.6 net interest cost. I haven't gotten the full report yet. It was a 4.6 net interest cost. Nearly all of the 195 that was available for sale was sold. The underwriters took the rest, whatever

it was, and they will have to deal with that as part of their duties. So the rates have been fairly strong. Our general obligation refunding-- We actually -- when we decided to do it, we thought we had about a \$35 million savings. The market got much stronger in the time it took for the deal to close, but, nonetheless, it bounced back. By the time we closed it, we still achieved 37 million. So that was very acceptable to us.

MS. MOLNAR: Let me open it up to further questions from our Commission. (no response) Wow.

I had one more question. I saw a number. I don't believe it's in your report. It appears that our debt service appropriations, as a percentage of total State government appropriations, is now about 6 percent. It used to be closer to 3.6 percent, 10 years ago. Do you have any comment on that, as far as debt appropriation as a percent of the total appropriation? Do you think we're okay?

TREASURER McCORMAC: Well, I think we've always, as an administration, been concerned with the level of debt, and the amount it's risen over the past several years, especially in terms of growing income tax collections and sales tax collections -- the spending, the debt, still, nonetheless, have been rising. I think you're going to see us paying the price for that in the next several budgets. So we're watching it closely. I don't think it's-- We're not too alarmed yet, but certainly with all this out there -- that is yet to be issued and could be issued -- that there is concern, certainly.

MS. MOLNAR: The other question I had -- I just heard that Mayor Bloomberg might impose a commuters' tax. It's my understanding a resident of New Jersey working in New York would take a credit against their

New Jersey income tax. So New Jersey would lose some additional revenue because of this additional tax we're paying to New York.

TREASURER McCORMAC: We will lose some, but not as much as you would think, because most people that are going to be subject to that higher tax in New York are already, on the city level, subject to a State tax. Since the New Jersey rates are lower than the New York rates, they are already fully wiping out the New Jersey liability with the New York state tax.

MS. MOLNAR: Oh, all right.

TREASURER McCORMAC: So adding to it doesn't necessarily mean that it would cost us money, but there are certain mid- to low-income taxpayers where -- because of the threshold there, and the threshold here, and the rates at whatever brackets -- could produce a loss to us. It certainly doesn't help us. It won't help our budget, but there'll be a little bit of a loss to us, and we're trying to quantify that now. But it's certainly not a direct correlation to whatever they collect we lose, because we're already lower than their state income tax rate, so adding to that won't hurt us.

MS. MOLNAR: Now, in light of the current recession, do you see our income tax improving or anything happening in that arena?

TREASURER McCORMAC: We're watching closely the '04 numbers. The withholdings are still strong on gross income tax. The estimated payments for September were not, but that's a combination of, I believe, most peoples' '01 refunds on hand -- that used to just wipe out the first payment in April and maybe part of June -- wiped out April, June, and part of September. So we got a big decrease on our September estimated payment, particularly for that reason. Partially, people are simply safe harboring against '01 income

with their '02 income. They'll pay us as little as possible as late as possible. We'll see better in December with the estimated payments, but the real problem, of course, with our budget, we won't see for sure until between April 10 and May 10 what the numbers will be, but we're watching. I'd say if the withholdings were low or off, I would be more worried than I am with estimateds being off, but we still do have to watch.

MS. MOLNAR: Good. How about sales tax? Is that still strong, or do you see it--

TREASURER McCORMAC: I wish I could say strong. It's a little bit below target. September was low by a little bit. October was low by a little bit. That's probably more worrisome because sales tax is the most predictable of all three major taxes -- if what happens in July through September almost always, within a percent or two, triggers what's going to happen the rest of the nine months. So that's a little bit troublesome to us. The trend is remarkable if you saw the charts of the ups and downs. You would be amazed at how close they are month to month, year to year for predicting the next quarter and the next year. So we're watching that very, very closely.

MS. MOLNAR: Any other questions or comments? (no response)

TREASURER McCORMAC: The only other thing I would add is that we did add a couple of schedules in the back that you're probably not used to, which is the debt authorized but not issued. We think it's fair to give a complete picture. And just because something is not formally turned into a bond or a note, it's still out there and ready to be issued and could be issued.

I know at a municipal level, and Mr. Roth can concur, that we always have to show not only bonds and notes issued, but authorized but not

issued. I wanted to take that to the State level in this report and give everybody an indication of what really is out there on the horizon coming forward, even though we haven't gotten around to issuing it yet for cash flow purposes, like the schools. We can't do all 8.6 billion at once, because you can't spend it all at once, but it's out there. It's a concern, and then we're monitoring it. The rating agencies certainly already know it. The investors already know it. We wanted to make that a part of the annual disclosure with the debt report.

MS. MOLNAR: So you're recommending that if -- we issue new debt equal to what we retire, nothing more.

TREASURER McCORMAC: It's a goal. It's certainly a goal. Whether we can achieve that depends on a lot of factors. The school construction -- the Governor's tried to speed that up and get the money out as quick as possible with the New Schools Corporation, and stop the bureaucratic delays to make that happen. If that happens as anticipated, it might be difficult to keep that goal, but it's certainly something that we want to do.

MS. MOLNAR: Now, is our debt slightly downgraded by *Moody's* the past year?

TREASURER McCORMAC: All three agencies took us down a notch--

MS. MOLNAR: One notch, okay.

TREASURER McCORMAC: --in the spring. *Moody's* in February, S&P in April, and Fitch in March from, basically, Double A1 to Double A2. But we are now an average state. We are not below average. We're just like most other states that -- where we are at Double A2. It would be nice to be

Double A1, but the size of the shortfall that we walked into precluded us from maintaining that rating.

MS. MOLNAR: Is that the reason they lowered it, because of the shortfall?

TREASURER McCORMAC: Yes.

MS. MOLNAR: That was why.

TREASURER McCORMAC: Yes.

MS. MOLNAR: They pretty much articulated that to you?

TREASURER McCORMAC: Yes. And then, the shortfall's implications on future budgets-- There was a revenue shortfall in gross income tax and sales tax, as well as spending, then, was above and beyond what was budgeted. But, yes, primarily because of the shortfall.

MS. MOLNAR: Do you have a comment?

MR. GENIESSE: I think the Treasurer may have just answered it. But Mr. Roth had asked the question, I think, a month or so ago, as to the authorized but unissued debt, whether the rating agencies looked at that in terms of their--

TREASURER McCORMAC: Great minds think alike.

MR. GENIESSE: Yes, I know. (laughter)

TREASURER McCORMAC: The municipal CFO in both of us comes out.

MR. ROTH: Madam Chair.

MS. MOLNAR: Mr. Roth.

MR. ROTH: I also have a follow-up on that. The comment was made last month that perhaps \$500 million of authorized but unissued debt

really can be canceled. I think that was the comment made at this meeting. I'd like to see the minutes, if I'm wrong. And if, in fact, that can be the case, don't you think that a reduction in \$500 million in authorized debt might have some favorable impact with *Moody's* and Standard & Poor's and Fitch?

TREASURER McCORMAC: Absolutely. In fact, we asked the Office of Public Finance to study each and every open bond issue to see what's left, and what it's authorized for and whether it needs to be spent. That's a body that -- most employees there were fairly new, and they just came off the tobacco securitization and the two financings I mentioned. And in the fall, that's one of their goals, to go through, line by line, to do that exactly. And if we're right and your recommendation proves fruitful, it will be definitely beneficial to the rating agencies.

MR. ROTH: Thank you.

MS. MOLNAR: Any other questions or comments? (no response)

If not, I want to thank you, Treasurer, for coming and making the presentation.

TREASURER McCORMAC: Thank you.

SENATOR LITTELL: May I ask a question?

MS. MOLNAR: Oh, I'm sorry.

Senator Littell. Oh, my goodness, Senator Littell is here.

TREASURER McCORMAC: How are you, Senator.

SENATOR LITTELL: Okay. How are you doing, John?

TREASURER McCORMAC: Good, thanks.

SENATOR LITTELL: I'm curious as to why we're all of a sudden selling bonds for the Garden State Preservation Trust in the amount of 1.5

billion, some-odd. We've been paying out of -- pay-as-you-go, out of the \$98 million that we had.

TREASURER McCORMAC: Right.

SENATOR LITTELL: Why do we, all of a sudden, need 600?

TREASURER McCORMAC: Well, they have an authorization for a billion dollars worth of purchases over the first 10 years. I think nobody would argue that they've moved slowly in actually closing the purchases the first three years. But now they have a very aggressive plan to spend in the years '04, '05, and '06, to take advantage of the market being where it is and hoping it doesn't go up too much, too soon. They have a large pipeline of several hundred-million dollars worth of projects to close in the next year or two. So they need a huge infusion of cash. So we've got a plan, for 500 million for the first quarter of '03, to borrow to meet that need; and then the 98 million will start going toward interest on the bonds, and the rest going toward new purchases.

I think we maximized them -- at about 1.5 in total land purchases over the 10-year period -- with the plan we have for their financing. But it's only a matter of cash flow. They were very slow in closing deals for three years, and now they really have to pick up the pace, and they need the money from that billion dollars, which, to date, nothing has been borrowed.

SENATOR LITTELL: Are you going to be able to reimburse the general fund for the \$98 million we spend each year for three years?

TREASURER McCORMAC: The plans are to bring everybody whole, yes.

SENATOR LITTELL: Okay. Well, I'd like to have a little more information on that.

TREASURER McCORMAC: I can do that. We actually have the financing plan about to be signed off on, Senator. I'll get you that as soon as it's done next week. Actually, we have an appointment next week or the week after, so I'll share it with you when you come in.

SENATOR LITTELL: Okay, thank you.

MS. MOLNAR: All right.

Before our Treasurer leaves, we have to vote to accept the debt report, and you're welcome to vote on behalf of Treasury, since Mr. Rousseau left. You can vote for yourself.

MR. ROTH: Madam Chair, I move to accept the Treasurer's debt report.

MR. BRUNE: Second.

MS. MOLNAR: Okay.

Any comments or suggestions or anything? (no response)

If not, we'll take a vote.

MR. GENIESSSE: Senator Littell.

SENATOR LITTELL: Yes.

MR. GENIESSSE: Assemblyman Cryan.

ASSEMBLYMAN CRYAN: Yes.

MR. GENIESSSE: Treasurer McCormac.

TREASURER McCORMAC: Yes.

MR. GENIESSSE: Mr. McCabe.

MR. McCABE: Yes.

MR. GENIESSSE: Mr. Brune.

MR. BRUNE: Yes.

MR. GENIESSSE: Mr. Brannigan.

MR. BRANNIGAN: Yes.

MR. GENIESSSE: Mr. Roth.

MR. ROTH: Yes.

MR. GENIESSSE: Mr. Annese.

MR. ANNESE: Yes.

MR. GENIESSSE: Ms. Molnar.

MS. MOLNAR: Yes.

MR. GENIESSSE: Madam Chair, you have nine votes in the affirmative, none in the negative. The debt report is approved.

MS. MOLNAR: Thank you.

Thank you for coming, Treasurer.

TREASURER McCORMAC: Thank you very much.

MS. MOLNAR: Okay.

MR. ROTH: Happy Thanksgiving!

MS. MOLNAR: Okay. Yes, happy Thanksgiving.

Our next meeting is December 13, Friday the 13th. I hope no one is superstitious.

MR. GENIESSSE: I think it's the 15th.

MS. MOLNAR: No, I think it's Friday the 13th.

MR. GENIESSSE: You're right.

MS. MOLNAR: Any other questions or comments before we adjourn? (no response)

If not, meeting is adjourned.

**(MEETING CONCLUDED)**