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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:** September 26, 2003  
10:00 a.m.

**MEMBERS OF COMMISSION PRESENT:**

B. Carol Molnar, Chair  
Anthony F. Annese, Vice Chair  
Assemblyman Peter J. Biondi  
Patrick R. Brannigan  
Gary Brune  
Kevin P. McCabe

**ALSO PRESENT:**

David Rousseau  
(Representing John E. McCormac)  
George LeBlanc  
(Representing Senator Wayne R. Bryant)  
Mary Messenger-Gault  
(Representing Assemblyman Joseph Cryan)

Michael Vrancik, 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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**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. And notice of the meeting has been filed at least 48 hours in advance by mail or fax to the Trenton *Times* and the *Star-Ledger*, and filed with the office of the Secretary of State.

We'll now take a roll call.

MR. VRANCIK (Acting Executive Director): Senator Littell. (no response)

Senator Bryant. (no response)

George LeBlanc, for Senator Bryant. (affirmative response)

Assemblyman Cryan. (no response)

Mary Messenger, for Assemblyman Cryan. (affirmative response)

Assemblyman Biondi.

ASSEMBLYMAN BIONDI: Here.

MR. VRANCIK: For the State Treasurer, Dave Rousseau.

DEPUTY TREASURER ROUSSEAU: Here.

MR. VRANCIK: Kevin McCabe. (no response)

Gary Brune.

MR. BRUNE: Here.

MR. VRANCIK: Pat Brannigan.

MR. BRANNIGAN: Here.

MR. VRANCIK: Robert Roth. (no response)

Mr. Anthony Annese.

MR. ANNESE: Here.

MR. VRANCIK: And Ms. Carol Molnar.

MS. MOLNAR: Here.

Thank you.

MR. VRANCIK: We will now have the motions for election of a Chair and Vice Chair.

MR. BRUNE: I'd like to make a motion to nominate Carol to continue as the Chair of the Commission.

MR. VRANCIK: Do we have a second?

MR. ANNESE: Second.

MR. VRANCIK: Okay. Nominate the Vice Chair.

MS. MOLNAR: Can we vote on them separately?

MR. VRANCIK: Okay, do we have a vote for Carol Molnar as the Chair of the Commission?

Senator Littell. (no response)

For Assemblyman -- for Senator Bryant, George? (affirmative response) Yes.

Assemblyman Biondi.

ASSEMBLYMAN BIONDI: Yes.

MR. VRANCIK: Dave Rousseau.

DEPUTY TREASURER ROUSSEAU: Yes.

MR. VRANCIK: Gary Brune.

MR. BRUNE: Yes.

MR. VRANCIK: I'm sorry. Mary Messenger, for Assemblyman Cryan.

MS. MESSENGER-GAULT: Yes.

MR. VRANCIK: Pat Brannigan.

MR. BRANNIGAN: Yes.

MR. VRANCIK: Mr. Annese.

MR. ANNESE: Yes.

MR. VRANCIK: We have a unanimous--

MS. MOLNAR: Thank you.

Thank you for your continued support.

As Vice Chair, I'd like to nominate Mr. Anthony Annese.

DEPUTY TREASURER ROUSSEAU: I'll second it.

MR. VRANCIK: Dave Rousseau seconds.

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

If not, we'll take a roll call.

George?

MR. LeBLANC: Yes.

MR. VRANCIK: Mary?

MS. MESSENGER-GAULT: Yes.

MR. VRANCIK: Assemblyman Biondi.

ASSEMBLYMAN BIONDI: Yes.

MR. VRANCIK: Dave.

DEPUTY TREASURER ROUSSEAU: Yes.

MR. VRANCIK: Gary.

MR. BRUNE: Yes.

MR. VRANCIK: Patrick.

MR. BRANNIGAN: Yes.

MR. VRANCIK: Mr. Annese.

MR. ANNESE: Of course, yes.

MR. VRANCIK: It's unanimous.

MS. MOLNAR: Thank you.

Our next item-- We have a new Acting Executive Director, Mr. Michael Vrancik.

I've asked Michael to give you just a quick thumbnail of his background.

MR. VRANCIK: I'm replacing John Geniesse. He's worked with the Commission, I guess, for the last four years -- maybe three. I also work in OMB. I've actually taken over John's responsibilities. I'm currently the Manager of the Capital Planning Unit. I oversee the capital budgets, generally, of the Departments of Transportation, Military and Veterans' Affairs, and currently the Office of Information Technology. I've been with the State and the Budget Office, on and off, since 1979.

MS. MOLNAR: Thank you.

Do I hear a motion to approve the appointment of Michael Vrancik as Acting Executive Director?

MR. ANNESE: So moved.

MS. MOLNAR: Do I hear a second?

MR. BRUNE: Second.

MS. MOLNAR: Any discussion? (no response)

If not, we'll take a roll call.

MR. VRANCIK: George.

MR. LeBLANC: Yes.

MR. VRANCIK: Mary.

MS. MESSENGER-GAULT: Yes.

MR. VRANCIK: Assemblyman Biondi.

ASSEMBLYMAN BIONDI: Yes.

MR. VRANCIK: Dave.

DEPUTY TREASURER ROUSSEAU: Yes.

MR. VRANCIK: Gary.

MR. BRUNE: Yes.

MR. VRANCIK: Mr. Brannigan.

MR. BRANNIGAN: Yes.

MR. VRANCIK: Mr. Annese.

MR. ANNESE: Yes.

MR. VRANCIK: Chairwoman Molnar.

MS. MOLNAR: Yes.

MR. VRANCIK: Thank you.

MS. MOLNAR: The next item is the approval of the minutes.

Now, I know Mr. Roth is very interested in this. I thought maybe we could table this until our next meeting, see if he has any changes. He's usually very good about going through these.

Is there any objection if we table this until the next meeting? (no response) Hopefully Mr. Roth will be back.

Do I need a motion to table?

DEPUTY TREASURER ROUSSEAU: No.

MS. MOLNAR: Oh, good.

Do you have an Executive Director's report at this time?

MR. VRANCIK: At this time, I'd just like to give a brief summary to update everyone on what's occurred since the Commission concluded the FY '04 budget recommendations.

The amount of funding recommended by the Commission was \$1,138,690,000. The amount recommended in the Appropriations Act, or the amount actually appropriated, was \$1,136,428,000, for a net drop -- or an amount that's about \$2.2 million below what the Commission actually recommended.

But within that base, there are some significant changes. The Commission recommended \$930.5 million for the Department of Transportation. The '04 Appropriations Act contains \$805 million, which is, essentially, the statutory minimum for the Transportation Trust Fund. So that's a decline of approximately \$125 million.

That number is off-set in part by an increase in the appropriation for the Department of Environmental Protection. The Commission recommended about \$75.3 million. The actual Appropriations bill contained \$126.4 million for DEP. That represents an increase of about \$51 million. It represents, largely, additional funds available from the CDT -- constitutionally dedicated taxes.

And, essentially, that's it. The other departments received, in essence, largely what was recommended by the Commission, with a few exceptions. There was a decision to budget, centrally, funds for life-safety, fire, and other improvements in a central, inter-departmental account. And that

amount totaled \$9.7 million. It will offset some of the funds that weren't provided directly to departments and agencies for those kinds of projects.

And that, essentially, brings us up to where we are right now.

MS. MOLNAR: Is there a process in place, now, for these departments to apply for these moneys in the central account?

MR. VRANCIK: Yes. In fact, we're working with the departments right now to determine an allocation methodology for the \$9.7 million. We've been in contact with cabinet heads and their operating staff to determine how to best allocate that fund.

MS. MOLNAR: Okay, thank you.

Any other comments or questions? (no response)

If not, thank you very much.

We'll begin with our departments.

Our first department is the Department of Agriculture. I'd like to welcome Jack Gallagher, Chief of Operations.

Could you introduce your staff for the stenographers?

**JOHN J. GALLAGHER JR.:** Certainly. I'd be happy to.

Good morning, Chairwoman.

And congratulations on your election, Mr. Annese.

With me this morning is Mr. Carl Shulze, who is the Director of our Division of Plant Industry; and our Senior Seed Analyst, Marcello Mangano.

It's a pleasure for me to be here on behalf of the Department of Agriculture and our Commissioner, Secretary of Agriculture, Charles Kuperus.

I appreciate the opportunity to present to you, this morning, our requests for Fiscal Year '05 capital funding.

As you know, our Department works closely with all segments of the Garden State's multi-billion dollar food and agricultural industry. Over the years, our capital funding requests and subsequent capital appropriations have helped us maintain and administer programs that have served that industry very well.

However, in current -- the current economic times, our Fiscal Year 2005 capital request omits several key areas of need. Rather, we are submitting two requests for capital funding that are more related to health and safety issues.

Our first request is for \$250,000 for chromatographic diagnostic equipment. This computerized, highly technical machine and related software is needed to replace current outdated liquid and gas chromatographic equipment that no longer fulfills its intended purpose and can no longer be repaired.

This equipment is used by two of our laboratory divisions to identify harmful chemicals and compounds that can be found in pasture grasses and animal feeds. These mycotoxins and other chemical agents put agricultural animals such as horses, cows, and sheep at great risk inasmuch as these compounds can cause sickness and death. In the specific case of dairy cows, for instance, that could be affected by mycotoxins, human health may also be at risk from contamination of that cow's milk.

New, state-of-the-art chromatographic equipment will provide prompt and accurate analytical data not available to us. We consider this an important health and safety issue for our state's agricultural industry.

Not in the prepared statement that you have in front of you is an addendum that I'd like to add. We serve-- Using this equipment that we have, we serve as a resource for the New Jersey Poison Control Center. This is a

facility and utility that the Department of Health does not currently have. We have a, actually, recognized expert on fungi on our staff -- in fact, on Dr. -- or Mr. Schulze's staff, excuse me.

We had a recent case of a young person -- an infant -- who, somehow, got a hold of some poisonous mushrooms. It was unclear at the time whether those poisonous mushrooms would be, in fact, poisonous. They were not. We did that diagnostic work in our laboratory for the New Jersey Poison Control Center. So I just throw that out as an off-growth of our mission.

Our second request is for \$78,000 for refurbishment of two growth chambers in our laboratory. These chambers are rooms equipped with light, temperature, and humidity controls. Optimum growing conditions are achieved to grow selected plants and related plant pests and pathogens. A number of plant pathogens are recognized agents of bioterrorism. Small-scale tests can be performed replicating climates found anywhere in the world at any time of the year. Currently, these growing chambers are used for storage, because they don't function. We use plastic bags, lights, and everything else to simulate a growth chamber. It's really not the way to do business.

With New Jersey being a border state with two seaports and major international and military airports, the introduction of foreign plant and animal pests and diseases, such as Asian Longhorned Beetle and Plum Pox Virus, are of great concern to agriculture in New Jersey and the nation.

Our current growth chambers are no longer functional, and in fact, as I indicated, are used for storage. In light of the current world situation, and New Jersey's efforts to safeguard its citizens, we request that you give this project serious consideration.

In total, our Fiscal Year 2005 capital request is \$328,000.

Our out-year requests total \$393,000, which includes \$178,000 for an extension to the accessory building at our beneficial insect laboratory, and \$215,000 for a livestock pavilion at the Horse Park of New Jersey. Those of you that have heard us testify in the past know that we always ask for something for the Horse Park of New Jersey. So this year being no exception, we thought we'd throw that in, too.

Madam Chair, before I close, I would like to make reference to what testimony you will likely hear from the Department of Treasury. We were prepared to submit a request for refurbishment of parts of our building, to help an Ag building. In speaking with the Department of Treasury, they're carrying the message. I would hardly support the request of the Department of Treasury for improvements to our building. We have several serious conditions in the building which need immediate repair. I'm sure you'll be hearing more about that from Treasury.

And unless I'm mistaken, I believe our building is the last of the State-owned buildings in the city of Trenton which has not had a major renovation. So it's high time. In fact, there are many buildings in the city of Trenton, State-owned, which are much younger, which have been totally refurbished. So we are in need. Our major systems -- our HVAC, our bathrooms, our carpeting-- It's all in pretty deplorable condition.

I would ask your support of Treasury's request in this regard.

Thank you for the opportunity to present the Department's capital budget.

And myself, Mr. Schulze, and Mr. Mangano will be happy to answer any of your questions.

Thank you.

MS. MOLNAR: Thank you.

Any questions or comments?

Mr. Annese.

MR. ANNESE: Could you bring us up to date of the status in this state of the Asian Longhorned Beetle?

MR. GALLAGHER: We'd be happy to.

Carl.

**CARL P. SCHULZE:** Sure. Thank you for the question. I'd be glad to update you.

We've recently concluded inspecting all the trees in Jersey City and Hoboken within the quarantine area. And we've not found any additional signs of the Asian Longhorned Beetle.

Initially, we found about 118 infested trees that were removed, along with all the host trees within a quarter-mile of that area. We then did chemical protective treatments of most trees within a half-mile radius of that area.

And I might want to point out that we had superb and outstanding cooperation from the residents of Jersey City and Hoboken. We did a very aggressive public outreach program. People welcomed us into their homes so that we could look at trees in their backyards. And we had tremendous cooperation in the cities of Jersey City and Hoboken.

We feel confident that we found the extent of the bug. It's going to take a few more years of follow-up surveys to ensure that we got it, but we think we've done a pretty good job due to all the cooperation that we received.

MR. ANNESE: Next question. The equipment you're asking for -- would that have any bearing on this, the Longhorned Beetle?

MR. SCHULZE: Not on Asian Longhorned Beetle.

MR. ANNESE: And also, with regard to the equipment you're asking for, in the event that your building does get refurbished, this equipment could be used and transferred or whatever? Is there a problem if you have refurbishment to the building?

MR. GALLAGHER: The equipment can be used. In fact, Mr. Annese, we are now in negotiations for a new laboratory, which is -- if everything goes according to schedule, ground would be broken in 2007 -- 2006, 2007. I'm led to believe, by Mr. Schulze and his staff, that this equipment would be transferrable.

MR. ANNESE: All right, thank you.

Those are my questions.

MS. MOLNAR: Any other questions or comments?

Mary.

MS. MESSENGER-GAULT: On priority one and two, are there any savings, or at least more efficiencies in the use of staff time associated with this?

MR. GALLAGHER: The short answer is yes, although I can't quantify that at the present time.

MS. MESSENGER-GAULT: Okay.

MS. MOLNAR: Mr. Brune.

MR. BRUNE: Two questions.

Jack, in the first request, the Department of Health has a very significant amount of homeland security, bioterrorism attack money, some of which is for equipment. They have chromatographic equipment over there. Is it different chromatographic equipment?

I guess what I'm wondering is, is there any possibility of a ripple effect from them to you, in terms of equipment -- they buy a new piece, and you get their slightly used piece?

MR. GALLAGHER: Well, the piece we have now formerly was the Department of Health's -- the chromatograph that we have now. I believe Carl -- Glen has talked with the Health Department.

MR. SCHULZE: Yes, the equipment that we're using now was originally built in 1980, and in 1984 they were hand-me-downs. It was built in the days prior to computers. Some of this is still operated by cassette tape drives.

In fact, the technicians have told us that there is no longer parts available through the company. And in order to get spare parts, we would have to continue to cannibalize old equipment or actually purchase it off of eBay.

MR. BRUNE: Yes, I'm not questioning the validity of the need. I'm questioning whether you could solve it through, again, getting a piece of-- I don't know, sitting here, whether a piece of chromatographic equipment that Health uses is similar to what you need.

MR. SCHULZE: Their equipment is similar. They're set up for different things. And if they have surplus equipment -- I mean, we're always talking to them about that.

MR. BRUNE: So you open up that line of--

MR. GALLAGHER: Yes, there are--

Actually, Gary, we constantly do. We do share information. The scientists talk to one another on any variety of issues. They do share some equipment now. The proximity -- the general knowledge-- As I said, this nationally known expert is -- has tremendous ability with DNA, regarding plant material and other things. So they pick his brain. We go up there, and we talk, and that kind of thing. So there is a cooperative nature.

MR. BRUNE: Just one other quick question, Jack, in terms of the seed purity. I noticed you mentioned the New Jersey State Seed Law. Does it require -- does the law require that Ag do the tests, or does -- is there any possibility of using certified labs in other places -- at least in the short term -- to get the tests done?

MR. GALLAGHER: Well, the statute requires that the--

MR. BRUNE: Ag--

MR. GALLAGHER: Yes, correct.

MR. BRUNE: Thank you.

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

If not, I want to thank you and your staff for coming today.

MR. GALLAGHER: Thank you, Madam Chair.

MS. MOLNAR: Our next department is the Department of Education. I'd like to welcome Isaac Bryant, Assistant Commissioner.

Good morning, and could you introduce your staff?

**ASST. COMMISSIONER ISAAC BRYANT JR.:** Good morning.

Yes, I will. Thank you.

To my left, and to your right, is our Director of Administration, David Corso; to my right, and your left, is the Superintendent of the Katzenbach School for the Deaf, Dennis Russell; and to his right is Ron Rice, our Coordinator for the Regional Day Schools.

Good morning, and thank you for the opportunity to testify before the department about the Department of Education's Fiscal Year 2005 capital budget request. My name is Isaac Bryant.

Our Department's funding requests are in two areas: the Marie Katzenbach School for the Deaf and the Regional Day Schools for Children with Disabilities.

At the outset, I would like to publicly thank Mr. Vrancik and his staff for assistance and advice in preparing this budget request. Their continued support has been greatly appreciated.

As you are aware, no capital projects were approved in the FY 2004 budget for the Department of Education. As a result, the Department is submitting the same requests as last year. These projects are critical if we are to fulfill our responsibilities under State law to provide a healthy and safe environment for the students with disabilities who attend these State-operated schools.

There are six priority projects that we consider critical to the maintenance of the buildings and to the health, and safety, and well-being of the

students who use them. Our total request is for \$2,416,000. We have carefully reviewed all requests and have included only the most essential projects for your consideration.

First, I'd like to talk about the Katzenbach School for the Deaf.

The Katzenbach School for the Deaf provides facilities for educational, vocational, and residential programs for deaf and hard of hearing students. Many of the students have additional disabilities which further compound their needs. The Department is requesting funding for four projects at the school totaling \$1,266,000. Priorities 3, 4, 5, and 6 reflect the current capital construction needs at Katzenbach.

Priority 3 requests \$186,000 to upgrade the exterior campus lighting throughout the school grounds. This project received prior funding and a scope of work was completed. However, the remaining funding was cut due to the budget crisis. We are, again, asking that the funding be restored, because we feel that the additional lighting will address safety concerns on the campus.

Priority 4 requests \$215,000 to remove asbestos in Cottages 8 and 10. These two cottages were selected for asbestos removal because water damage caused a buckling of the floors and a cracking disintegration of the asbestos-containing floor tiles. Children and staff have been removed from these buildings because of health and safety concerns associated with the deteriorating tiles.

Priority 5 represents the combination of three related projects involving domestic water and sanitary waste removal pipes and plumbing into one project, at a cost of \$665,000. The majority of the sewer and water lines in this area of the campus, both between the buildings and internally, were

installed between 1924 and 1929. Leaks and stoppages are a continuous recurring problem. The proposed solution is to replace both the water delivery and sanitary waste removal pipes for all of the buildings in that quadrant of the Katzenbach campus, from the clock tower building, which is Building 7, back. This will include Buildings 1, 8, 9, 10, 11, 12, and 13. Simultaneously, the interior plumbing, supply and removal in those individual structures will also be replaced.

Priority 6 addresses the need to replace the streamline connections within Buildings 24, 25, 26, 27, and 28, at a cost of \$200,000. These connections are over 70 years old. These buildings are residential halls and instructional buildings. If the current connections fail, it would require that the buildings be closed and would have a serious and major impact on school operations.

And my final area of concern is with the Regional Day Schools.

The Department is required by law to operate 10 Regional Day Schools located in 9 counties throughout the state. At this time, all of the schools are operated by local education agencies under contract with the Department. Operating expenses are generated entirely through tuition charged to local districts that send students to the Regional Day Schools.

Most of our buildings are approximately 20 years old, and we are beginning to see a pattern of need for replacement of key structural building units.

The Department is requesting funds for two projects at the Regional Day Schools, at a cost of \$1,150,000.

Priority 1 is a request for \$550,000 for modification and replacement of the HVAC controls at the Bleshman Regional Day School. This request will complete the overall replacement of the entire HVAC system. Recent projects that have been completed with your support include the replacement of the rooftop HVAC units, the replacement of the entire duct work, and the replacement of the roof. This project will alleviate the current problems with indoor air quality, temperature variations, and higher than normal relative humidity.

And finally, Priority 2 is requesting \$600,000 for the entire roof replacement at the Jersey City Regional Day School. Funding for this request was previously made and approved; however, was eliminated due to the budget crisis. We are again requesting the funding for the project due to the poor conditions of the roof. It is in need of constant repair.

Thank you for your consideration, and we're here to answer any of your questions.

MS. MOLNAR: Thank you.

Any questions or comments?

MR. BRUNE: Carol.

MS. MOLNAR: Mr. Brune.

MR. BRUNE: One question -- one, just, quick statement.

I think we've been in contact with your staff about Priority No. 1, in terms of the discretionary money we have this year.

ASSISTANT COMMISSIONER BRYANT: Yes, sir.

MR. BRUNE: And I think we're pretty close to pulling the trigger on funding that, from the current year -- just so we're all clear.

ASSISTANT COMMISSIONER BRYANT: Yes.

MR. BRUNE: The other question, though, is, in terms of the four Katzenbach priorities -- four through -- I guess 3 through 6-- Can you just help us with the safety issue on the lighting. We listed the lighting before the asbestos. In terms of life safety, I think we just want to understand exactly what the safety issue is, in terms of the lighting.

ASSISTANT COMMISSIONER BRYANT: Sure.

Mr. Russell.

**DENNIS RUSSELL:** Is this on? (referring to PA microphone)

As you probably know, we have students that live on the campus. You're familiar with where the campus is located, I'm sure.

We have people traveling back and forth across the campus in the evening, and it is very dark. And we just believe that our children will be safer if the roadways were lighted.

We also have Home Front, which is one of the tenants on our property that has families there, as well. And that was one of the things that caused us to think about and look at the lighting on campus. So it's just a matter of trying to upgrade safety and security for all the folks that live on the campus at night.

MR. BRUNE: In terms of the asbestos, can we assume -- I know you're not in the rooms -- it's encapsulated in a way that it doesn't -- if we don't access the room, it's not a threat. Is it that kind of a situation?

MR. RUSSELL: The asbestos in the cottages that is in the request is in the floor tiles. And what we've had to do with those buildings, for the time

being, is vacate them. And those buildings are not usable until such time as we can replace the floors.

MR. BRUNE: Thank you.

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

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

ASSISTANT COMMISSIONER BRYANT: Thank you.

MS. MOLNAR: Okay, we're taking the agenda a little bit out of order. We'd like to do the Judiciary. We'd like to welcome his honor, Judge Richard J. Williams, Administrative Director of the Courts.

**RICHARD J. WILLIAMS, J.A.D.:** Good morning. Thank you. It's nice to be with you, again, this year.

I appreciate--

Let me introduce, first of all, folks who are here with me: Deputy Director Ted Fetter; Director of our Office of Management Administrative Service, Chris Higgins; and her Deputy Director, Shelley Webster; and our Chief Information Officer, Jim Rebo.

I appreciate the opportunity to address the Commission about the Judiciary's pressing needs for long-range funding.

As I have done for the past several years, I am requesting funding for two important needs. First, modernizing our information technology, and secondly, upgrading the Justice Complex. Both are important and unmet. We ask, this year, for funding of \$16.8 million; \$15.6 million in information technology, and \$1.2 million in facility upgrades.

The Judiciary's computer systems are large and complex, well beyond anything that we might be familiar with, with a simple office. They are

vital to the operations not only of the courts, but other agencies as well. We serve more than 20,000 users. We have three million online transactions each day. Our systems manage court dockets and schedules for a million cases in the Superior Court and six million cases each year in the municipal courts. The systems control our records of hundreds of millions of dollars of payments received and transmitted. They provide our ability to access case files. And more than 9,000 staff communicate all around the state using E-mail.

The reliance on our systems goes well beyond the courts themselves. The 20,000 users include prosecutors, public defenders, domestic violence service providers, and local law enforcement officials. State agencies -- including the Division of Motor Vehicles, the Division of Youth and Family Services, the Attorney General's Office, and the Treasurer's Office -- need information from the courts, and they get it with electronic access, the only way in today's world that makes sense.

Our systems face substantial problems. A generational transition to new hardware and software is required. We are working with 1980s' technology. The companies that sold us our computers and our systems -- many have gone out of business, some have stopped using the systems themselves, and they no longer provide maintenance, parts, or necessary technical support.

From our experience in New Jersey, from the Division of Motor Vehicles to the Division of Youth and Family Services, we've seen too many examples where failure to upgrade inadequate and outdated computer systems has had serious public consequences. We simply cannot let this happen to the Judiciary.

We've developed a strategic plan for our information technology. We know what must be done. We know how to get it done. But to accomplish our plan, we require adequate funding. Although a dedicated fund from filing increases will yield an estimated \$13.9 million each year, that amount is insufficient to accomplish a plan which will cost in excess of \$160 million over five years. Capital funding, as part of the funding of that need, is essential.

I'm now beginning my fifth year. Time flies when you're having fun. I'm beginning my fifth year as Administrative Director. In each of those years, we've asked for funding for critical items in our capital budget request, but in none of those years has the Judiciary's budget been funded.

I recognize the fiscal difficulties confronted by the State, and because of that, in each of those years, we deferred critical work. But we simply cannot risk deferring essential information technology upgrades any longer. I'm actually advised that the Judiciary has not received a capital appropriation in well over 10 years. Our needs are critical, and we believe that both sound public policy and fundamental fairness dictate that our time has come for necessary funding.

Our IT request involves three projects. The first project addresses the necessity to convert our database to a new technical foundation, in order to ensure that our central case management systems do not fail. The current software is seriously outdated with decreasing support from its vendor. The capital component of this project will cost \$6.3 million. We will be able to fund \$4.2 million of that from our IT dedicated fund, but we still require an additional \$2.1 million in capital funding.

The second request is to enable us to protect our local area communication capabilities -- that is, our local area network. In order to keep that network from breaking down, we have to replace outdated hardware and software. And if we fail to do that, our local network servers, desktop hardware, and software risk disruption in our ability to communicate both internally and with outside agencies and clients of the courts. We need to allocate \$8.2 million for the capital portion of this project, and for this particular project in FY '05, all of that project would be capital.

The last IT initiative would enable attorneys to file cases and documents electronically, and would allow the courts to begin to use an image-based filing system. The long-term advantage to E-filing and electronic record storage is that, once fully implemented, cases will be filed electronically, managed electronically, and stored electronically, avoiding the costs associated with paper storage and retrieval.

As you know, the State is struggling with burgeoning records storage problems -- not only the requirements for storage, but problems as well where facilities have, in fact, experienced a variety of difficulties resulting in destruction of records.

In addition to storage and retrieval deficiencies, the initiative will enable the Judiciary to respond to expectations that our clients have. As the public more and more uses the Internet to conduct their business -- and now, for instance, in the Judiciary, to pay their traffic tickets and moving violation fines electronically, they expect that they should be able to do that business with all aspects of the court.

The capital cost for the E-filing project in this fiscal year would be \$5.5 million, \$5.3 million of which would come from -- would be part of our request.

And finally, there is a request in our submission dealing with the Hughes Justice Complex. The Judiciary moved into that complex in 1982, and most of the office furnishings and partition walls are still there. The old partitions are hard to repair, impossible to replace, and they do not readily accommodate the wiring needed for today's information technology efforts. Furthermore, perhaps most importantly, they waste valuable space. Modern office partitions are more compact and efficient, and they would allow us to reconfigure areas rather than request new lease space from the State.

As you know, the State has issued \$21 million in bonds to renovate the general parts of the Justice Complex, including improvements to the security system, the roof, and other elements. Our request to renovate the offices within that building, and provide for more efficient use of space, would be completely compatible with that effort.

These requests are important to the Judiciary. We envision a multi-year approach to meet these particular needs, but we believe that the funding requested this year is absolutely critical to keep us from deferring, and to allow us to begin to address, these needs on that approach.

We thank you for the opportunity to be here, and I would be prepared to entertain any questions that the Commission may have.

MS. MOLNAR: Thank you.

As an attorney, I'd like to thank you and the Judiciary for all the hard work that you do.

I have a global question for Treasury.

Does Treasury have any position regarding this lack of capital appropriation for 10 years? Is there any philosophy or anything you could articulate?

DEPUTY TREASURER ROUSSEAU: I can only speak for the last two, and it would just be that I don't think any department has had any capital appropriations for the last two years, except for either statutory or constitutional dedication. And I actually think if we had the staff go back and do some research, we'll find, over the last 10 years, that there's been very little capital that wasn't either constitutionally or statutorily dedicated to any department over the last 10 years.

MS. MOLNAR: Okay, thank you.

DEPUTY TREASURER ROUSSEAU: And as you did say, we did -- the administration and the Legislature did honor the request a few years ago for a fee increase that was dedicated to IT, which some other departments like Human Services, Agriculture, departments like that, don't have that ability.

JUDGE WILLIAMS: I would note, by the way, this committee did recommend, in Fiscal Year 2002 -- I believe it was either 1.2 or 1.8 in capital, and we were grateful for that recommendation. It just never, ultimately, was adopted.

MS. MOLNAR: Now, I read some interesting articles in the New Jersey Law Journal. How is the fee program going?

JUDGE WILLIAMS: The fee program is going well. It will not quite-- We had projected 13.9. We're projecting 13.9, in fact, for next year. I'm not quite sure whether it will quite get up to that. Civil filings did not --

decrease slightly during the year. We're probably going to come in closer to the \$13 million area. But the revenue from that has been absolutely indispensable, in terms of being able to try to address some of these years.

As we look at these projects, particularly things like system infrastructure, the cost this year -- the total cost for that is going to be about 13.2. The capital phase of it is only 6.3. We're applying those funds to both the capital and the operating expense side of that. So, but for those funds, we would be in very, very difficult shape, particularly on our major priority request here. And we're looking -- as I say, 13.2 this year. As we go to next year, we're facing even larger expenses to be able to complete that multi-year transition. So the moneys have been critical.

They've also done something else, which I think is very important. They enable you to plan. As I said, we are dealing with a strategic plan for our information technology needs. But to be able to do that, you have to have some idea as to what you can reasonably expect. You can't live off of unspent funds that you may accumulate during the course of the year, and do any type of planning. We've had to use that for 10 years, obviously. So the ability to have that dedicated fund has been extremely helpful, in terms of being able to plan and know we at least have some moneys that we can count on.

MS. MOLNAR: One other question. This Commission loves cost savings. You mentioned filing cases and documents electronically. Have you ever quantified any cost savings to going to a paperless filing?

JUDGE WILLIAMS: We haven't quantified that. Obviously, we would anticipate that there should be some. We know, for instance, although it's relatively new -- we rolled out a system for the municipal courts, funded by

the automated traffic fund that we have, that let's you pay parking and moving violation tickets. And when that occurs, obviously, the funds are immediately deposited into accounts. The courts' records are updated. So municipalities will have some savings. We've not yet been able to quantify that. And part of the degree of savings will depend on how many people use the system. As they become more familiar with it, then you're probably going to be able to save in terms of data entry costs, and processing of funds, and things like that in that system. But you're going to need to get more of the public increasingly using it.

The same would be true with things like E-filing. Obviously, much of the work that would be done manually, now, can be eliminated. But you need to be able to put a system like that in place. You need, then, to be able to promote it so that there is not just occasional use, but so that becomes the predominant mode. And when you do that, you should then be able to have savings from the standpoint of staffing. But at this point, we can't actually quantify that.

Part of the other difficulty we face is that we've been downsizing in staffing, in any event, over the past few years, dealing with the budget crisis. So it becomes hard to, ultimately -- to try to put figures on that.

MS. MOLNAR: Thank you.

Any questions or comments?

Mr. LeBlanc.

MR. LeBLANC: Good morning. I just want to follow up on David's response, going back 10 years, about capital appropriations.

I was wondering if you had an answer to the question, besides the 13.9 in last year's budget in increased fees, whether you could quantify the total

increases in fees over the last 10 years that might have been used for IT improvements. And, secondly, could you provide what the average carryforward of the Judiciary has been over the past 10 years?

JUDGE WILLIAMS: Let me address the first. The fee increase that we received went into a dedicated fund, strictly for information technology purposes. The fees received before that were not part of a dedicated fund. In fact, they did not inure to the benefit of the Judiciary. They went to the -- they were inured to the benefit of the State. So we never had access to any of the revenues raised by filing fees prior to the legislation, approximately a year and a half ago, that created the dedicated fund.

As far as the figures with regard to carryforward, I can generate them for you. I can tell you that for the past several years -- I'm going to say -- I'd have to estimate three or four, but I can be precise -- we've been limited in our carryforward. Last year, the figure was \$3 million carried forward. Prior to that, we were limited to \$2 million. Before I became Administrative Director, I'm not sure we had those limitations, and I could check on those figures for you. But I can tell you, since I've been Administrative Director, for most of that time, there has been a limit on the amount of carryforward.

MR. LeBLANC: And do you think it would be possible to use some of that carry-forward money for the IT improvements you're looking for?

JUDGE WILLIAMS: In fact, that's generally how we have tried to use our carryforward. And, in fact, in the period of years -- I'm told -- before I became Administrative Director -- and this actually went back to the late '80s -- that was how they funded most of their IT needs. There, I think, were no limitations at that point.

The difficulty with that is that you never know what you're going to have to spend. You have to wait until, perhaps, January, February, March, and then you've got less than three months to spend it. You don't know whether you're going to be able to keep it or not keep it, whether purchasing restrictions will be put on, which typically go on in March or April. And when you're dealing with something like a-- That's not a problem if you're going to buy some desks and chairs, but it's a major problem if you're dealing with significant complex information technology systems like we have. You can't operate in that speed-up, slow-down, maybe-you-can-spend-it, maybe-you-can't mode. You really need to be able to know what you have, to be able to look forward over several years. That's why the IT fund, in fact, has been so critical, because we know we can, at least, plan on that. And when you initiate these multi-year projects, you've got to know that once you start, you're going to be able to carry through.

MR. LeBLANC: Thank you.

MS. MOLNAR: Any other questions or comments?

Mr. Brune.

MR. BRUNE: Couple of questions.

Your Honor, do you have a total cost, a most recent estimate, of the project you're trying to -- the total IT cost?

JUDGE WILLIAMS: For everything, or for--

MR. BRUNE: For your total plan.

JUDGE WILLIAMS: For the total plan--

MR. BRUNE: Just a ballpark.

JUDGE WILLIAMS: Yes, the total plan, originally, not counting the ATS system, was in the area of about 130 -- I'm sorry, \$233 million. That plan -- we're looking at that, we're revising that, because the costs, in fact, are probably increasing at this point in time. But we are -- our best estimate -- and I don't think we've totally finished that -- is somewhere in the area of about \$160 million now.

MR. BRUNE: One hundred sixty.

JUDGE WILLIAMS: Yes.

MR. BRUNE: Just, sort of, a techy question. Do you assume the use of the Garden State Network that already exists when you make that cost estimate, or is there a separate--

JUDGE WILLIAMS: I'm going to ask Mr. Rebo for that.

**J A M E S R. R E B O:** We coordinate with OIT on our network, and, of course, you can ask them that question when they come up.

We do have some separate facilities, as we must with different locations, and so forth. But we do coordinate on data communications, wherever possible.

MR. BRUNE: Okay. So the broad answer is that when we see \$160 million, pretty much assumes these are the existing network.

MR. REBO: If we can use the Garden State Network, we will.

MR. BRUNE: Just conceptually, because we have a situation where we have a dedicated fund, some of which, as I understand, is being used for operating, some of it for capital-- Conceptually, have we considered a master lease arrangement for the system you're trying to buy? In other words, using it to pay off, essentially, a debt arrangement as opposed to pay-as-you-go.

JUDGE WILLIAMS: Chris Higgins will--

You can stay up here if you want, Jim.

**CHRISTINA P. HIGGINS:** Hi.

Many of the costs that we're talking about include consultant cost and software cost. So where master lease is an opportunity, with regard to hardware and such, we do avail ourselves of that. We work with OMB to structure that.

MR. BRUNE: So the items we see in here, Chris -- the 15 or so million -- are largely -- are they a mix of the two?

MS. HIGGINS: I would have to check that and get back to you. But I believe that we have structured that for master lease. But I will check.

MR. BRUNE: Just so I understand what you're saying--

MS. HIGGINS: Financing. I think we made financing assumptions, but I would need to check that and get back to you.

MR. BRUNE: Just one last question.

We, obviously, most recently, raised fees. Can I assume that in a context for the fees that we're -- fee level we're now at -- that we are pretty much competitive with surrounding court systems having raised them?

JUDGE WILLIAMS: We're near the top of the list.

MR. BRUNE: Okay.

JUDGE WILLIAMS: Ms. Molnar could probably tell you that.

MR. BRUNE: Thank you.

MS. MOLNAR: Is there any other questions or comments?

Mary.

MS. MESSENGER-GAULT: On your Priority 1 project, do we have more information that says the software is rapidly losing vendor support? I just want to clarify, is that a vendor that's under contract now and not fulfilling their obligation, or is it a vendor that's no longer under contract and for whatever reason can't provide support?

JUDGE WILLIAMS: It's like the vendor that sold Betamax stuff. It's computer associates with IDMS. It's not a technology. It's an outmoded technology. So, from that standpoint, it increasingly becomes difficult to have -- to continue to maintain that. People just aren't working in that technology anymore. So the vendor moves on to new technologies. And, basically, what we're dealing with here is a 1980s technology. You increasingly find that you don't have people that work with that.

MS. MESSENGER-GAULT: But are they still under contract for other systems?

JUDGE WILLIAMS: Jim.

MR. REBO: They're under contract for database technology, which underlies our applications, the functional support management systems. And it is a technology that they are no longer investing in, in the direction of Internet, Web enabling, just the whole future of where technology is going. And we have to be concerned that when things go wrong, they cannot fix it quickly. And that's really what happens, as a practical matter.

JUDGE WILLIAMS: It would be a little bit like asking Ford Motor Company to honor it's warranty on an Edsel. I mean, it's a quick analogy. But the fact of the matter is, yeah, you might be able to do it, but you're not going to find people that are familiar with it, you're not going to find parts. And even

the company, itself, is going to not be able to give you the kind of service on a timely basis that you would need to get.

MS. MESSENGER-GAULT: Thanks.

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

If not, congratulations on starting your fifth year, and thank you for your testimony. (laughter)

JUDGE WILLIAMS: Thank you -- on surviving the first four.

Thank you very much.

MS. MOLNAR: Congratulations.

Our next department is the Office of Information Technology, Charles S. Dawson.

Could you introduce your staff?

**CHARLES S. DAWSON:** Yes.

I guess I have to press this button, I guess (referring to PA microphone). There's the technology standpoint.

Thank you, and good morning, Madam Chair, and members of the Commission. I appreciate the opportunity to present to you today the Office of Information Technology's capital budget request for Fiscal Year 2005.

In the interest of time, I have shortened my remarks from the speech that has been provided to you already.

Also, due to the very complicated nature of the services that we offer, we thought that this year we might actually provide you with a PowerPoint presentation, as another component of our presentation. The fact that it's a little bit further back than what we had originally anticipated something we thought about a little bit -- so actually, in the materials that we

handed out to you, this particular document in the back -- or actually the overheads -- well, I guess that's a dated term -- the actual PowerPoint presentation is in that material, as well. So you can follow it there.

Before I begin, I would like to recognize members of my management team who have helped to shape this budget request, and who will assist me to answer any of your questions: Alfonsina Comune, Chief of Staff; Chris Rein, Chief of Operations; Anna Thomas, Administrator, Strategic Development; Tom Pierson, Director of Network Infrastructure; Ray Bunn, of the Office of Geographic Information Services; George Hulse, Director of Fiscal Services; and Mark Carroll, of our Budget Planning Unit. We are here to answer any questions that you may have, and provide a clear picture of our funding request.

Technology now plays a greater role in the operation of State government than ever before, and that role continues to expand rapidly. The New Jersey State Web site averages more than 240 million hits per month, an increase of about 80 million from the same time last year. More than 36,000 users have become registered users of the State Internet portal, allowing them to conduct business securely with the State through the Internet. That's an increase of nearly 300 percent from last year. Our Garden State Network processed more than two billion transactions this past year, 600 million more than the year before.

While these statistics clearly demonstrate the ever-expanding role of technology in State government, technology can seem abstract and hard to visualize.

The growth in demand for IT services can be likened to the increased demand for electric power as a village grows into a densely populated area. The village begins small, and electric needs are modest. As more people move in, using electricity not just for lighting, but also for air conditioning, microwaves, stereos, televisions, and many other appliances, the demand for service expands and grows. The utility company needs an infrastructure to support that growth. Power grids, substations, transformers, generators, storage methods, wiring, facilities, and back-up systems are all built to support the increase in population and demand.

As our citizens have come to expect 24-hour-a-day, seven-days-a-week access to more and more online information and services, we need increased and improved servers, networks, processors, and storage devices to sustain the infrastructure that delivers the information and services.

In a city, you would not build a separate utility company for each house or business. By the same token, it doesn't make sense to create a computer infrastructure for each department. By providing funding to OIT, you will ensure a solid, well-functioning infrastructure to support the technology requirements of all State departments and agencies.

All the funding that OIT is requesting addresses current demands on the State's IT capabilities. Let me tell you the realities of the situation. Industry experts predict that, over the next several years, demand will increase annually up to 15 percent for server capacity, 20 percent for network bandwidth, and 40 percent for storage capacity.

The capital request I bring to you today is not overstated. We are not starting new initiatives; we are only asking for funds to meet immediate demand.

As a nation, we've experienced a number of challenges in emergency situations. Our generation is entirely dependent on computers to keep our society safe and functioning properly. It is my job and my duty to present these critical requests to you.

Our capital budget request for Fiscal Year 2005 totals \$23.9 million. Your briefing package breaks our request into 10 categories listed in order of priority for OIT. I will be presenting to you today a brief summary that, along with our visual presentation here, demonstrates the interconnectedness of the projects for which we are requesting funding.

The OIT Availability and Recovery Site, for which we are requesting \$7.1 million, will provide comprehensive disaster recovery capabilities for all State departments. The construction work on the building has not been completed. The dollars already allocated have been targeted for very specific equipment that will be purchased as soon as the building is completed. The funds being requested here will move us on to the next phase of this critical initiative. As we saw so clearly during this summer's blackout, it is essential to have readily available backups if systems fail. OARS will be that backup for the State's IT functions.

Our second request, for \$3 million, is for an enterprise server infrastructure upgrade. Over recent years, as the State's computer infrastructure began developing more rapidly -- thanks in large part to the funding provided by this Commission -- OIT recognized the need to make its computer

environment usable for as many different purposes as possible. Just as it does not make sense financially to have many utilities serving one city, it doesn't make sense to create an independent computer infrastructure for each new online initiative. Online applications for initiatives as varied as unemployment insurance, child support, and digitized driver licenses can all be hosted on the same network.

In the last two years, we have added to the shared IT infrastructure more than 40 different online services, and there are a number of others in development.

Failure to fund the necessary enterprise infrastructure upgrades would force each agency to purchase additional hardware platforms for each new service they develop. Hardware platform costs, on a per service basis, can add approximately \$50,000 to \$150,000 to each initiative.

Additionally, the \$500,000 we requested for an upgrade to the IBM CPU will address the increased workloads on our two enterprise computer servers. Due to overloads caused by high utilization, these two servers have performed at less than acceptable service levels. These servers can be compared to an overtaxed generator. A utility must provide more capacity to the generator to prevent it from crashing. We must provide more capacity to these servers before they fail.

Four million, five hundred thousand dollars has been requested for Wide Area Network infrastructure upgrades. As most power companies serve a large geographic area, so, too, do OIT's computer systems. To serve a wide area and limit the impact of outages, utilities set up substation transformers. Likewise, OIT has set up different nodes of its Garden State Network to make

sure the network provides high quality service throughout the state and is always functioning.

Over the past five years, the Garden State Network, the State's wide area network, has become nearly 25 times faster, and the number of State agency connections to the network has tripled. Our major applications -- including Social Services, Criminal Justice, and Transportation -- use the network. This infrastructure must be responsive to the citizen's need for State services.

OIT has not received capital dollars for the network for the last two years. We have been forced to use line-of-credit funding, which does not allow us to fully implement critical upgrades to the wiring of the network.

OIT has taken many steps to ensure the security of our systems over the past year. For example, we are the first state in the nation to contract with the U.S. Army to analyze our network for the development of an intrusion detection system. The 2005 network upgrades will help us respond to security vulnerabilities found in the Army's analysis. They will also allow us to minimize the effects of computer viruses and other hacker attacks that plagued our network over the past year, notably the Slammer and Blaster viruses.

We have requested \$1 million for an enterprise storage upgrade. All information must be stored so it can be delivered to users when they need it. And as more information is added to the State Internet, OIT needs more storage devices to hold all the data. As new applications are introduced into the computing environment managed by OIT, we must increase our data storage capacity. Our enterprise storage environment provides many of the same

benefits as the shared IT infrastructure that I discussed earlier. It does not make sense to force each department to provide its own data storage.

We request \$4.1 million for IT and communications facilities improvements. OIT's facilities are like the utility's generating station. The generating station houses the equipment that provides the electricity; OIT's facilities house the servers, switches, wires, and routers that enable us to deliver information. We are requesting capital funding this year to ensure that our facilities continue to run smoothly.

Two million dollars has been requested to fund the fiber network infrastructure initiative. Utility companies must undertake electrical wiring upgrades in response to increased demand. An electric company logically moves to more advanced, higher-powered lines to handle increased loads, as well as to provide for anticipated future increases in demand. OIT is requesting funds this year to establish a high-speed, high-capacity fiber network to better meet the current needs of the departments and agencies, as well as to prepare future -- for additional demand in the future. The fiber optic network would provide support for initiatives -- better support, actually, for initiatives such as the Motor Vehicle Agency modernizations.

In addition to these closely related requests, we are also requesting money for some other important projects. The New Jersey Mapping Assistance Partnership Program, for which we have requested \$660,000, provides a technical infrastructure on which local governments build, maintain, and share their geographic data. Our funding request will be used to establish nodes in Union, Camden, Passaic, Burlington, Middlesex, and Hunterdon counties, as well as Jersey City.

To upgrade our pressure-sealing equipment, we request \$285,000. Our current sealing equipment does not operate at speeds fast enough to process our workload.

Our request for voice mail expansion of \$700,000 will accommodate increases in the number of agency subscribers to the statewide voice messaging system.

In conclusion, just as the utility uses many different components to deliver electricity, OIT uses many components to deliver information. And just as the utility needs to upgrade its equipment to keep the power going, OIT needs to upgrade its equipment to sustain the infrastructure to deliver information and services to the citizens.

Thank you, Madam Chairwoman and members of the Commission, for your help and assistance. To get a hands-on look at our operations and see our systems in action, I cordially invite each of you to tour our facilities. Feel free to contact our office, and we will gladly make the arrangements.

At this time, I welcome any questions you have on our capital budget request and any of the other issues that I have brought up in our presentation.

Thank you.

MS. MOLNAR: Any questions or comments?

Mr. McCabe.

MR. McCABE: A quick question. On the IT and communications facility improvements, the \$4.1 million, you're talking about upgrading your facilities to run a smoother operation. What's wrong with them now that you need to-- Are we talking about roofs, or walls, or issues of that nature?

MR. DAWSON: I think I'll have Chris answer that question.

**CHRISTOPHER J. REIN:** Thank you.

This capital budget request is for the upgrading of the UPS's -- uninterruptable power sources -- as well as refrigerant and coolants, to provide their cooling capacity for the data centers. These are engineered devices that typically have life spans of five to seven years. Currently, I believe, the median age for some of our cooling equipment and our UPS systems are about five to 5.5 years. So, taking a look at when this capital funding would be available, they would be at the end of their recommended service lives. These are, basically, moving parts. They're air conditioners, and they're transformers and batteries that have physical life spans, limitations.

MR. McCABE: Thank you.

MS. MOLNAR: I had a question about outsourcing. There was a small article in *Business Week* saying that state governments, including New Jersey, are outsourcing IT work to contractors that are using overseas labor. Is that true?

MR. DAWSON: Well, that's certainly an issue that's come up among a number of states. It's a relatively standard practice in the private sector. We have, I believe, limited the amount of outsourcing that takes place, as far as OIT is concerned. Some of the departments and agencies have used certain levels of outsource contracts. Some of that we call, sort of, *body shop* type of work. So there is a certain amount of outsourcing, but we principally have tried to do as much within the context of our State staffing and other resources.

MS. MOLNAR: That's good to know.

Any other questions or--

Mary.

MS. MESSENGER-GAULT: A few of your projects, particularly some of the upgrades-- It talks about the need for increased operating costs. Shouldn't the upgrades increase efficiency, reduce breakdowns, and tech support needs, and save us money?

MR. DAWSON: I'll answer generally about that, and then I'll ask Tom Pierson to follow up with a little bit more detail.

Certainly, information technology has done a tremendous amount in terms of increasing efficiency. And I might point out that even with the Office of Information Technology, itself, about two years ago, we had 1,100 employees. We now have under 1,000 employees. So we're taking that to heart, ourselves, in terms of increasing efficiency, even in our operations.

But along with that, as I pointed out in my initial comments, the amount of utilization that's going on, with regard to citizens and employees, has dramatically increased our need for these additional services.

Tom, would you like to speak to the specifics?

**THOMAS G. PIERSON:** Yes.

Like anything else that we look at, we look at efficiencies, we look at cost avoidance, we look at equipment that's reaching end of life, similar to the question with the last -- courts and their software programs. We look to see where things are going to reach end of life and we need to replace, just like hardware with batteries and uninterruptable power supplies. We also increase capacities, and increase as work loads increase and to add applications. We need to address the capacity of the network, and the facilities, and everything

we do so that these new applications can run without degrading, or without degrading existing obligations.

MS. MESSENGER-GAULT: So is this increased operating cost staff?

MR. DAWSON: Well, we're not actually talking about staff here in our request, since this is actually a capital request.

MS. MESSENGER-GAULT: Right, but it says you're going to increase operating cost. So the operating cost increases staffing, or some other cost?

MR. DAWSON: Actually, our staffing has been decreasing. So we're not actually asking for it.

MS. MESSENGER-GAULT: What are the components of the operating cost increase?

MR. DAWSON: I beg your pardon?

MS. MESSENGER-GAULT: What are the components of the operating cost increase?

MR. DAWSON: I think Mark would be able to handle that.

**MARK P. CARROLL:** Can you hear me now? (laughter)

With regard to the operating costs, every time we make an acquisition, we have a warranty that covers a certain period of time. At the close of that warranty, if we want to continue the vendor maintenance -- which is extraordinarily advisable with computer technology hardware and software -- you enter into a contract with the vendor. Costs with those vendors increase at a rate between 5 and 15 percent per year.

So, for example, if you had a car, and you had two children, and you drove the car for several years, and then you had three children, and you needed to buy a bigger car, you'd need to pay more for the car. And then you'd also need to pay more for the maintenance of that car as you went along.

MS. MESSENGER-GAULT: So these operating increases aren't actually in the year in which you're buying the (indiscernible).

MR. CARROLL: Correct.

MS. MESSENGER-GAULT: How many years out on these three projects: three, four, and five?

MR. CARROLL: You would normally get between 90 days and a year's worth of warranty, and after that, you would enter into a vendor contract. And the vendor contract is done on an annualized basis. So you would renew it at the end of every year.

MS. MESSENGER-GAULT: Okay, thanks.

MS. MOLNAR: Mr. Annese.

MR. ANNESE: Just very broadly speaking, are there certain departments within the State, either because of their size or their mission, that use your services much more than other departments?

MR. DAWSON: Yes, the Department of Human Services represents, I believe, about 25 percent of our service delivery. And several of the others -- I think Transportation, Treasury--

MR. PIERSON: Labor.

MR. DAWSON: --and Labor are probably our largest users. But, by far, Human Services is our biggest customer.

MR. ANNESE: All right, thank you.

MR. PIERSON: If I can add to that-- Just about every department uses some portion of our infrastructure.

MR. DAWSON: As well as was pointed out in the last presentation, the court system also rides on the backbone of our Garden State Network.

MR. REIN: If I may, for the committee-- To clarify, the use of the Garden State Network is a portion of the networking needs that the Judiciary requires. If you look at the entire network needs, some are met by the Judiciary's local network, and some are met by cross-agency traffic, which does use the Garden State Network.

MS. MOLNAR: Mr. Brune.

MR. BRUNE: A question about your access to the line of credit financing that's already been provided, versus your request for the Wide Area Network.

At OMB, we are tracking the balances in the line of credit, and I guess what we're seeing at the moment is about \$10 million of balances, a little more than half of that being in projects that meet the definition of, in some way, the Garden State Network, whether it be an increase or infrastructure.

I just want to understand -- because you made a statement in your testimony that line of credit financing doesn't allow us to fully implement wiring. Are the things that you're requesting here, in a capital sense, things that you can't fund under the line of credit? I just need to understand the--

MR. PIERSON: It's a combination of the two. There is-- Line of credit is hard, as you know -- a hard commodity. You cannot get consulting services, you cannot do services to wire buildings or wire facilities. We would

do -- the same things we are buying, we would upgrade and replace a certain amount of equipment in hard commodity with this request. But we'd also do the things that we haven't been able to do over the last two years, especially in the security space.

We have a lot of highly technical people on staff, but we like to augment them at times with security consultants or with design consultants. We can't get those facilities -- we can't get that with line of credit.

Things to support the network and increase and improve the network that aren't available on line of credit would be things that are not just a hard piece of commodity.

MR. BRUNE: I might suggest this, because it would be a great help to us-- I was reading the description of the \$4.5 million of the Wide Area Network, and it is, sort of, filled with terms like *hardware*. Maybe you could supply, through the Chair, just a reconciliation of the existing -- the uses of the existing money you already -- that's in balance, versus this need -- maybe in a more formal way. It might help us a little bit.

MR. DAWSON: Okay. We'll provide that information to you.

MR. PIERSON: I would also echo the tour of the facilities. I think a couple of years ago, we had a number of members tour our facilities. It really helps to see the things we're doing. And you can see old technology and new technology in the same facility.

MS. MOLNAR: Thank you. It was very helpful.

Any other questions or comments? (no response)

If not, I want to thank you for your presentation.

MR. DAWSON: Thank you for your time.

MS. MOLNAR: Is there any other business to come before the Commission? (no response)

If not, our next meeting is October 10, on Friday. See you all then.

Meeting adjourned.

**(MEETING CONCLUDED)**