
Committee Meeting

of

ASSEMBLY FEDERAL RELATIONS COMMITTEE

ASSEMBLY RESOLUTION No. 245

*(Calls on New Jersey's Congressional delegation to oppose restructuring
Social Security to create private accounts)*

LOCATION: Committee Room 16
State House Annex
Trenton, New Jersey

DATE: March 10, 2005
10:00 a.m.

MEMBERS OF COMMITTEE PRESENT:

Assemblyman Reed Gusciora, Chair
Assemblywoman Linda R. Greenstein, Vice Chair
Assemblyman William D. Payne
Assemblywoman Mary T. Previte
Assemblyman Guy R. Gregg
Assemblyman Joseph Pennacchio



ALSO PRESENT:

Catherine Z. Brennan
Brian J. McCord
*Office of Legislative Services
Committee Aides*

Jessica Perl
*Assembly Majority
Committee Aide*

Thea M. Sheridan
*Assembly Republican
Committee Aide*

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

TABLE OF CONTENTS

	<u>Page</u>
James M. Davy Commissioner New Jersey Department of Human Services	1
Ann C. Kohler Director Division of Medical Assistance and Health Services New Jersey Department of Human Services	7
Sidney J. Casperson Director Office of Counter-Terrorism New Jersey Department of Law and Public Safety	29
Dwight R. Pfennig Deputy Commissioner Office of the Commissioner New Jersey Department of Education	56
Jessica Dekoninck Director Legislative Services New Jersey Department of Education	60
Denise Vetti Federal Legislative Liaison Office of Legislative Services New Jersey Department of Education	61
Judy Savage Director Governmental Relations New Jersey Council of County Vocational-Technical Schools	80
John T. Tomicki Executive Director League of American Families	87
Kevin Callaghan Representing New Jersey College Republicans	91

TABLE OF CONTENTS (continued)

	<u>Page</u>
APPENDIX:	
Testimony, plus attachments submitted by Sidney J. Casperson	1x
Testimony, plus attachments submitted by Deputy Commissioner Dwight R. Pfennig	18x
Testimony submitted by Judy Savage	25x
Statement submitted by New Jersey Department of Transportation	27x
Testimony submitted by Charles Wowkanech President, and Laurel Brennan Secretary/Treasurer New Jersey State AFL-CIO	34x
Testimony, plus Position Statement submitted by Wayne Dibofsky Associate Director of Government Relations New Jersey Education Association	35x
Testimony submitted by Reverend Bruce H. Davidson Director Lutheran Office of Governmental Ministry in New Jersey	38x
lmb: 1-101	

ASSEMBLYMAN REED GUSCIORA (Chair): Good morning, everyone. My name is Reed Gusciora. I'm Chairman of the Federal Relations Committee, and I'm joined by my esteemed colleagues: William Payne, and Mary Previte, and Joe Pennacchio, and Guy Gregg. We're here to take testimony on the impact of the President's budget on the State, and specifically New Jersey. For every dollar that we send down to Washington, we only get 57 cents in return. And from that, we're the dubious distinction of being last in the nation for sending dollars in proportion of the amount of funds that come back. And this year is actually worse in that many programs -- from Education, Transportation dollars, health care, Human Services, and particularly Homeland Security -- New Jersey -- all will take a hit.

And with that, we'd like to invite Commissioner Jim Davy. We're also going to hear from Sid Casperson, from Homeland Security; and the Deputy Commissioner from the Department of Education to brief us on the Federal impact on the New Jersey budget.

Commissioner Davy.

COMMISSIONER JAMES M. DAVY: I just have a short statement. Is that okay?

Good morning, Chairman Gusciora and members of the Assembly Federal Relations Committee. I'm Jim Davy, from the Department of Human Services. Also with me is Ann Kohler, who is our State Director for Medicaid and Medical Services for the State of New Jersey. And thank you for the opportunity for me to be here today to talk about the President's Fiscal Year 2006 Budget proposal, and the impact that it will have on Medicaid and other programs in New Jersey.

As you know, Medicaid and New Jersey Family Care programs provide health insurance for nearly one million low-income elderly, disabled New Jersey residents. There are now two proposed versions of the Federal budget. The Senate version would cut \$14 billion from Medicaid programs over the next five years, while the House version would cut \$20 billion. Either would be disastrous and simply shift costs back to states, like New Jersey, which are already experiencing financial difficulties, as we all know.

The proposed cap on Medicaid administrative costs would jeopardize the State's ability to modernize the payment of claims, determine eligibility for Medicaid and New Jersey Family Care, and reduce fraud and abuse.

In addition to the specific cutbacks, I am concerned about President Bush's proposal to modernize -- the word is *modernize* -- Medicaid and provide states with more flexibility. While the proposal is vague at this point, in the past, the term *flexibility* has been code for funding cuts. The Bush budget proposal would have a serious impact on DHS programs, as well.

The proposal would cut 85 million from the Low-Income Home Energy Assistance program nationally, resulting in a loss of \$3 million for New Jersey. In addition, New Jersey would lose about \$4.7 million in emergency contingency funds. Enrollment in this program continues to rise and has increased from 117,000 households in 2001, to over 155,000 households in 2004. This season alone enrollment has increased by 15 percent, given the weather conditions.

Funding for Temporary Assistance for Needy Families program was maintained at current level under President Bush's budget, and New Jersey

would continue to receive the annual block grant allocation of \$404 million into 2006. That's flat funding. However, the President's budget proposal continues to propose higher work participation rates without increasing the need for child-care funding that would enhance and enable the ability to work towards those increased participation rates.

TANF is currently extended through March 31, 2005. There is now legislation in the House and the Senate to reauthorize the program for five years. However, with only \$1 billion for mandatory child care contained in both bills, the Department of Human Services estimates that New Jersey would need an additional \$60 million in child-care funds to allow our clients to meet the higher participation rates.

The administration once more included an option for states to receive Title IV-E foster care funds as a flexible, fixed allotment -- those are the words, *flexible, fixed allotment* -- to be used to support children in foster care. It was proposed last year, but it was not enacted. Again, when Washington talks about flexibility and fixed costs, they're talking about cuts. DHS supports the continued, current, open-ended Federal funding because, as you know, under our child welfare reform plan, we are expanding both the numbers of resource families and services to support them. So this is an important point on Title IV-E funding.

The 2006 budget proposal eliminates several programs, including Supportive Employment for people with mental illness. This grant funds about a third of the services purchased by the Division of Mental Health Services from community agencies across all 21 counties. If this program is abolished, New Jersey would lose over \$1 million that supports the employment programs

for mentally ill. In New Jersey, there are now, currently, 1,600 people with mental illness aided through supportive employment programs operated by such agencies as Catholic Charities in Mercer County, Delaware House in Burlington County, and the Richard Hall Community Health Center in Somerset, just to name three.

The budget also does not fund Traumatic Brain Injury program for 2006. New Jersey would lose its entire \$100,000 annual grant, which would eliminate DHS's project with the Department of Labor to increase employment for persons with disabilities. In addition, technical assistance and other important services were eliminated, resulting in a loss of \$200,000 for New Jersey.

Another example of President Bush's administration efficiencies is changes to the prescription drug program for some of the State's most vulnerable people. This is not part of the budget, but a Medicare program change that has already been made that will impact New Jersey. And I congratulate this Committee for holding a hearing on this matter earlier this year. As you know, this is related to the Medicare Part D dual-eligible issue.

Beginning in 2006, about 140,000 low-income elderly, disabled people in New Jersey, who are now covered by both Medicare and Medicaid programs, will have their prescription drug coverage switched to the Federal plan. They will be forced to pay a co-pay for their prescriptions and choose from a limited drug list which may not even include the drugs that they need. Many of these individuals have incomes below \$749 a month. About a third of them are living in nursing homes. Some of them can average as many as

seven prescriptions at any given time. They should not be asked to handle this hardship. They just simply cannot afford to do that.

In closing, let me say that President Bush's budget proposal is a classic example of the budget balancing on the backs of vulnerable, low-income, and disabled people, which stands in stark contrast to the budget that Acting Governor Codey has proposed for next year. That budget fully funds the child welfare reform plan, expands badly needed services with people with mental illness, supports people with disabilities, and allows growth for Medicaid and General Assistance.

And I congratulate the Governor and the Legislature for doing just that, not balancing the State Budget on the backs of people who are vulnerable in the State of New Jersey.

Thank you.

ASSEMBLYMAN GUSCIORA: Thank you, Commissioner.

One of the things I'm concerned is -- I understand that 900,000 New Jerseyans are on Medicaid or the New Jersey Family Care program. And we have over 200,000 persons in this state that still do not have any health insurance, and we have over 200,000 children, alone, that live in poverty. What I get a sense is that, under this Federal budget, we will not be able to add, such as the parents of the children on Family Care. I know that the Governor has a goal of restoring the Family Care to the parents of the children. That won't be able to be done, and we won't be able to take care of our own, so to speak, with the loss of Federal income.

What sense do you have that we'll lose, from the loss of Federal dollars -- what specific New Jersey programs will suffer more as a result of our deficit, but the loss of Federal funding?

COMMISSIONER DAVY: Well, I, too, am concerned about the Family Care program. As you know, we have been in serious discussions with Senator Vitale and other members that are working towards a bill -- and Assemblywoman Mary Previte is a sponsor of that bill as well -- working on a bill to enhance Family Care in order to get more children into that program. And we're looking at a whole host of ways to do that without impacting, to a great extent, the State budget. We're looking at administrative savings. We're looking at enrollments that use Internet on-line services, a streamlined application process, in order to reduce the barriers to children and families becoming involved in the New Jersey Family Care program.

We also know that in order to bring children into this program it helps to have the parents covered at the same time. If you extend the coverage to parents, children come with that, usually. And hopefully, that paradigm will enable us to do that. But a lot of it depends on increased funding from the Federal Government, because what we're talking about is a Federal match in terms of the funding for increasing enrollments in Family Care.

We are also talking about several initiatives that would require a waiver process with the Federal Government, as well, in order to bring in more families. I think all of those initiatives that deal with the Federal Government side of the equation puts into question our ability to really address the concerns about bringing more children into this Family Care program. And I fully agree with your assessment of that.

And Ann, do you have any -- do you want to add to that?

ANN C. KOHLER: No. I think that the Commissioner did lay out the issues. They're talking about limitations on the Federal side. They're also talking about limitations and reductions on our ability to streamline the process. Right now, we're looking at a number of ways to make it easier for families to apply -- families who would qualify under the existing rules. And under the proposals, the Federal budget proposals, with the caps on administrations and the inability to fund computer enhancements, we wonder whether we'll be able to do that.

COMMISSIONER DAVY: To go to the second part of your question, you said what other programs would be impacted? As you know, our Medicaid program funds -- primarily people with developmental disabilities -- that supports our consumers that are in our developmental centers, and it also supports consumers that are in the community, living in the community, living an independent life in the community. I think, though, if Medicaid funds are cut back, it seriously jeopardizes our ability to continue to serve the needs of our people with developmental disabilities. As you know, it also supports people that are living in nursing homes. These people need help. They need service. They need support. And without the Federal funds that do that, I'm concerned.

I don't know exactly what the impact of these numbers are, but I'm concerned about that. And you know, Medicaid supports poor families who need coverage, just as you said. So these programs are the types of programs that would be impacted.

ASSEMBLYMAN GUSCIORA: I actually have a neighbor -- she's a single mom of five. Her children are with Family Care, but she's unable to get Family Care benefits, and she's without insurance. And so I think it is important that we restore enough of that program so that we can bring the parents on line, particularly single moms who have children on the Family Care.

COMMISSIONER DAVY: The children are covered, right?

ASSEMBLYMAN GUSCIORA: The children are covered--

COMMISSIONER DAVY: The children, but she's not.

ASSEMBLYMAN GUSCIORA: --but she is not. And at one time, we were covering the parents--

COMMISSIONER DAVY: I know.

ASSEMBLYMAN GUSCIORA: --particularly in dire straits, such as a single mother of five.

Are there any mandates from the Federal Government that will go unfunded, particularly with regard to your Department?

COMMISSIONER DAVY: Well, the one big mandate, of course, is keeping the TANF program level-funded -- \$404 million -- but, at the same time, increasing the participation rates. So that really results in a cut or a cost impact to State government. How are we going to address those participations rates without the concomitant dollars to support the child-care initiative? So if you don't support more child care -- I mean, that's a barrier to people getting the employment services that they need through TANF and the support that they need through TANF. So that's the mandate. That's a serious mandate that we're going to have to really think through long and hard on how we're

going to do that. Sixty million dollars in the context of our State budget situation is, at this point as I look at it, a little bit unattainable. So we need to think seriously and advocate at the Federal level to provide more increased funding for child care, in order to meet those participation rates.

ASSEMBLYMAN GUSCIORA: Thank you.

Do any of the members have any questions?

Assemblyman Payne.

ASSEMBLYMAN PAYNE: Thank you, Mr. Chairman.

Commissioner Davy, we frequently discuss the situation with people in our state and our society that are the most vulnerable in our communities and our society, and usually it's those folks who are most hurt by cutbacks, etc. But we have very calm discussions about it. We talk about -- the Chairman just mentioned 200,000 people without health insurance in New Jersey, and we talk about the fact that TANF is being cut. We talk about the fact that people with mental illnesses -- we're cutting back on moneys to support them for employment. We talk about not being able to fully fund traumatic brain injuries. We talk about 140,000 low-income elderly, disabled people in New Jersey not covered by -- etc., etc., etc. -- and it goes on and on and on.

And the very people that all of this comes down on are people in our society who simply do not have the wherewithal to take care of themselves. The wealthiest country in the world, and we have these kinds of conditions that exist. And I don't know what it will take to raise the level of concern on the part of everyone that we will not be able to stand by, to hear a hearing, and then go home and not be concerned about it. I mean, the fact is that these

people are suffering. The fact is that people have no place to live. And the fact is that we could cover all of these things if, in fact, we were able to realign the expenditures of the Federal Government.

But I don't know what it will take to cause people not to sit back smugly and just say, "Well, isn't that too bad." We know what it is. We know what it takes. We know that it's totally unfair. I don't know -- what do we need to do? Do we need to bring the homeless people in here? Do we need to bring the people with traumatic brain injury in here in wheelchairs and whatnot, and let the people see graphically what's going on? I don't know. It's very, very frustrating, obviously. And you're handling a department where you come into this all of the time. But do we have any solutions to this, and do we have anything that will enable the people, who are smug in this state and in this Legislature, just not say, "Well, that's just another hearing, another meeting?" What can we do about it? What must we do about it? How do we do it? How do we advocate to get this money?

I think it's clear. I think it's clear where money is going. But yet, we have people in our state in our midsts who don't have enough food, who don't have shelter over their heads. And people with traumatic brain injuries are not being cared for. And it just seems to me that we have got to do something more than just have hearings about this.

And I need to ask you and those who are impacted by it -- those who are trying to run departments -- what is it that you suggest that we do? We know where the money needs to come from. We know that there needs to be a realignment in the budget. I mean, we can't talk around it. I don't think it's right to talk around it, because there's people still out there right

now, right now, who have no place to go. And that we have people who are injured who have no programs for them.

COMMISSIONER DAVY: Yes.

ASSEMBLYMAN PAYNE: What do we do? The figures are here, the numbers are here. What must we do here in the State of New Jersey to try to fix it?

COMMISSIONER DAVY: Well, I think, Assemblyman, a good point. There are a couple of things I'd like to say in answer to that. I think in New Jersey -- and I have to applaud Governor Codey and this Legislature, this entire Legislature, Democrats and Republicans alike -- because you really never approached the budget in New Jersey without thinking about the vulnerable people in our society. And this budget that has been presented to the Legislature has been presented in a way that doesn't balance the State budget of the backs of the people who are hurting, as you say, in New Jersey. Could it go further? Yes, it could go further in New Jersey.

There are things that aren't in this budget that could be in this budget. But you know, we've got the difficult financial situation. But this budget, in terms of the vulnerable populations that the Department of Human Services sees day in and day out, by and large, are being addressed. The children that have been abused and neglected -- children that are in crisis in families, we're dealing with that through the Child Welfare Reform Initiative. That's funded in this budget. Additional mental health initiatives are being funded through this budget.

Do they go all the way to where they need to be? No. But -- and the same thing with people with developmental disabilities. Could we go

further? Yes. But there is a level of support in this budget. So the budget that's been presented to this Legislature, and the Legislature-- And again, I do this -- Democrats and Republicans -- because it's always been a balanced approach to the way this budget is looked at in New Jersey. We don't do that in New Jersey, as in contrast to what's happening in Washington right now.

And I think you're right. I think it's all about advocacy. People need to get up and go -- and not just the people and the associations and the organizations that represent these people, but the people themselves need to communicate. The legislators in Washington need to see what it means for somebody that is developmentally disabled sitting in a wheelchair, can't move, can't communicate, what that impact is on them. They need to see that.

ASSEMBLYMAN PAYNE: Commissioner, you say that our budget, our State -- we are taking care of the people that need to be taken care of, etc. Except, we're doing as much as we can with what we have--

COMMISSIONER DAVY: Right.

ASSEMBLYMAN PAYNE: --which still leaves a lot of people outside, all right.

COMMISSIONER DAVY: There's still a ways to go, sure.

ASSEMBLYMAN PAYNE: And I don't think that we should -- we will ever, and should ever, be satisfied, as long as there's that parent -- the woman with five children out there, as long as there are other people that are not being cared for, as long as we don't have sufficient funds to take care of it. I mean, we're doing what we can with what we have. We should not say, "Well, this is the amount of money that we have. See how many people you can take care of."

COMMISSIONER DAVY: Yes.

ASSEMBLYMAN PAYNE: This is what we should say, "These are our needs. What do we need to get there." Not that this is our limit and so, therefore, do the best you can within that. That's not the way to look at it. And I think we need to reverse that thinking. Granted, we in the State of New Jersey are doing everything we can, perhaps. Are you suggesting that's not -- but you're not suggesting -- that's not enough, you're right. Exactly.

COMMISSIONER DAVY: Well, no. I'm not suggesting that. I'm suggesting that in New Jersey, we've never turned our backs on the vulnerable people.

ASSEMBLYMAN PAYNE: Right. And if there weren't these--

COMMISSIONER DAVY: I mean, can we go further?
Absolutely.

ASSEMBLYMAN PAYNE: Sure. And if these cuts were not there--

COMMISSIONER DAVY: Right.

ASSEMBLYMAN PAYNE: --we would be able to go further and perhaps do a lot more for a lot more people.

COMMISSIONER DAVY: Yes. Well, as much as we're doing in New Jersey, it's like, as we step forward to deal with these issues, particularly with children who are abused and neglected--

ASSEMBLYMAN PAYNE: Right.

COMMISSIONER DAVY: --people with-- As many steps as you take forward in New Jersey, you have to step back now, when your partner at the Federal is not a partner.

ASSEMBLYMAN PAYNE: Exactly, exactly.

COMMISSIONER DAVY: And when the funds are being cut back or being level funded, with increased participation--

ASSEMBLYMAN PAYNE: Right. So advocacy is one of the -- strong advocacy--

COMMISSIONER DAVY: Advocacy is important.

ASSEMBLYMAN PAYNE: --in Washington is one of the things we need to do.

COMMISSIONER DAVY: Advocacy -- everybody needs to advocate.

ASSEMBLYMAN PAYNE: Mr. Chairman, let me ask you. We had a hearing before, relative to, I think, education -- rather, No Child Left Behind, and we had a representative from Washington who came, I believe, to defend or explain it. Do we have anybody here at this hearing today who is going to be here to talk about the Federal budget and the defense of it, or what have you -- explain it?

ASSEMBLYMAN GUSCIORA: We've always invited our congressional delegation to come. And I know my good friends on this side of the aisle have been great at supplying people from the majority staff down there, so I just don't know if -- and I'm not pointing fingers or anything. I haven't specifically invited anybody from down in Washington. But I know that they would be available if we asked.

ASSEMBLYMAN PAYNE: Thank you.

Thank you, Commissioner.

COMMISSIONER DAVY: Thank you, sir.

ASSEMBLYMAN GUSCIORA: Assemblywoman Previte.

ASSEMBLYWOMAN PREVITE: Commissioner, thank you so much for spotlighting these issues. I'm particularly wanting to point to the Child Welfare Reform Act. As you know, we've had tragedies in one section of the state to the other that would shock the conscience of this entire country. I think New Jersey has taken enormous steps to bring about reform. And I want to know how the child welfare reform effort in New Jersey, which crosses the board -- what did we spend -- 125 million in the budget this past year for child welfare reform? How is that going to be affected by these cuts in the Federal budget?

COMMISSIONER DAVY: Well, as you know, 125 million-- When we presented our budget to the Legislature last year, I had asked for 125 million in funding. We're looking at what the Federal budget implications to that are. We had targeted to be able to reach another-- I mean, the total cost of the child welfare reform was about 200 million, and that gap was increased Federal funding that we were anticipating. We're working hard on Title IV-E funding, and other levels of funding, in order to support our child welfare reform effort. We have claims in. We're hoping to hit that, but we're not enthusiastic that we are going to hit it. We may fall a little bit short of what our projection was in terms of the Federal funding, just because the Feds are just tightening down their review of our claims as we go.

But as you know, and as I said, Title IV-E is absolutely essential to what we're trying to do, in order to increase the number of resource families that we have, to support children in New Jersey. We are expanding. We have already recruited 1,400 new resource families. Our goal was 1,000 by June 30.

We've already hit our goal. We have a record number -- the highest number of adoptions we've ever had in the State of New Jersey. And we need those Title IV-E funds to support the initiative to expand into that area. And without those IV-E funds, I think we're going to have to really think about what we're trying to do.

The other side of the equation is, a lot of what we do-- I mean, a lot of it is court order. It's court-driven. We're dealing with a Federal District Court. We have a court-appointed panel that is overseeing and monitoring our child welfare reform. But a lot of what we do is also monitored by the Federal Government -- the Children and Family Services Agency of the Federal Government. They put requirements on us in these areas, as well. And as they put those requirements on us, and not fund them with increased Title IV-E funds by -- and thinking about fixed funding for that, that just impacts our ability to continue to move forward and make progress on supporting children, keeping children safe in New Jersey. And that's our goal. We want to make sure that children stay alive in New Jersey and not die. And that's the key here.

ASSEMBLYWOMAN PREVITE: So what parts of the welfare reform will be hampered if we don't get the Federal moneys?

COMMISSIONER DAVY: Well, again, our ability to recruit resource families and support resource families. We use Federal funding to support children that are in residential treatment, Medicaid--

MS. KOHLER: Yes. Medicaid becomes a critical part. We're using Medicaid funds in our computer system to provide information to the foster parents about the child's health status and the caseworker. If we see

indications -- if I'm paying a lot of emergency room claims, that would suggest a potential of abuse for a child. We want to be able to work with the caseworker and share that information. That would all be jeopardized by our ability (*sic*) to enhance our computer system.

They are also talking about reducing our ability to claim for some of the case management services we do for these children. So that would also significantly affect our ability to meet these requirements.

ASSEMBLYWOMAN PREVITE: So you're saying the mandates are not being matched by the money to support the mandates?

COMMISSIONER DAVY: Exactly.

ASSEMBLYMAN GUSCIORA: Assemblyman Gregg.

I didn't know -- who -- is it okay, the order?

Oops -- sorry, try it again. (referring to PA microphone)

ASSEMBLYMAN GREGG: It's on now? (referring to PA microphone) Reed is always turning my microphone off. (laughter)

ASSEMBLYMAN GUSCIORA: I don't think I could ever turn you off.

ASSEMBLYMAN GREGG: Thank you. I'll take that as a compliment. (laughter)

Commissioner, we were talking about Medicaid and dollars coming from the Federal Government. Could you explain to me and the Committee the difference between Medicaid administration dollars and Medicaid vendor payments?

MS. KOHLER: Sure. Medicaid vendor payments are the payments that we make to the providers -- the hospitals, the doctors, etc.

Administrative dollars are the cost of running the program. Here in New Jersey and in many states, we do provide some services through administration. But generally, that's the difference.

ASSEMBLYMAN GREGG: So someone on my side of the aisle might say the administration is the bureaucracy and the vendors are actually the providers of the health-care services. I'm looking at the proposed budget, and I'm seeing New Jersey is losing \$68 million in bureaucracy dollars, administration. And I'm seeing New Jersey gaining \$156.7 million in vendor payments. Now, I'm just a hamburger flipper from Northwest New Jersey, but I see that as a substantial increase in dollars coming back to New Jersey from the great Washington, D.C. Am I misreading those numbers?

COMMISSIONER DAVY: From the what? From the what?

ASSEMBLYMAN GREGG: From the great Washington, D.C.

COMMISSIONER DAVY: Okay.

MS. KOHLER: Part of it is -- well, we need to look at two things. One, while you are seeing an increase in the payments to the providers, it's a relatively small increase and, in fact, doesn't reflect what the true cost and the increases that were expected to receive. I think we all know, if you read the paper, that health care is growing at a pretty rapid clip. Pharmaceutical costs are double digit. Hospital costs have been soaring, etc. So it's not likely that the increase being proposed for the Medicaid vendor payments would be sufficient to cover the cost.

On the administrative side, as I've said, we cover many things in New Jersey that we classify as administrative services that are also -- could be considered medical services. The cost of -- the Federal Government requires

us to help a client get to a medical appointment. We cover that as an administrative cost, helping the person get to their medical appointment. We also cover a great deal of services. For example, in the child welfare world, helping to coordinate the medical care of a foster child.

Over in the world of education, we claim Federal match for helping to coordinate the medical services that the child's IEP requires. All of those would be folded into our administrative costs, but they're really more a service related to providing health care to the child.

ASSEMBLYMAN GREGG: But you do agree that the budget provides more dollars for New Jersey for Medicaid this year than it did last year?

MS. KOHLER: The proposed budget has a slight increase, but it is insufficient to cover the costs of medical care in New Jersey.

ASSEMBLYMAN GREGG: I note that California is losing almost 671 million in vendor payments in this budget as well. I think when we discuss a budget as -- the magnitude of the Federal Government and how it reflects 50 states, we can realize, in any period of time, we can look at any one of those line items and determine if something goes up and something goes down for political reasons. And I think some -- this meeting is going to go on for, I imagine, a number of hours, and we'll talk about Social Security, and we'll certainly talk about why we're here. But I do find it somewhat disingenuous that we're talking about a budget in the Federal Government that's just proposed, and we've just had our own budget proposed. And we've just had our own Governor come in front of us telling us that times are difficult and we have to be more practical and pragmatic. And a very, very stringent

budget, which will effect every taxpayer -- answering Assemblyman Payne's viewpoints; that we are one of the highest taxed states in the country, if not the highest taxed state -- highest property taxes; very high income taxes, especially from middle-class people.

And, yes, it would be nice to provide everything to everybody. Certainly, Commissioner, I'd love to have every individual be caught in that safety net, to be taken care of the best way we can. But it doesn't get done in this state, and it certainly is not always the responsibility of the Federal Government. We really do need to look at ourselves first. And even though we're having difficult economic times, we're flat funding education -- the single largest expenditure in our state is education. No one would argue that making sure our kids have the best education -- many would argue is the most important priority. At least it has been in budget hearings in the past. And we're not flat funding them. We're decreasing their funding in the same way they're looking at indirectly decreasing yours -- because the necessity for more dollars every year, because the standard of living and increased costs go up.

So I think, when we look at what the Federal Government is doing, we need to also look at home. Our budget is 1.5 times the size of Pennsylvania. Pennsylvania has far more people than we do, far more ground to deal with than we do. So perhaps as we're looking at what we think we'd like to get back from the Federal Government, we should understand that they are in the same position we are. They are trying to be responsible fiscally, and they are trying to readjust programs to work efficiently and effectively.

I think the pharmaceutical assistance program that the Federal Government has put together is going to be a benefit to New Jersey, when the

technicalities are worked out. And I think they will be, because it will be more dollars for us, because we were a very progressive state. We can always come back and say that it's not perfect and there's five people in the middle of the program that are gapped and need to be looked at, but for the most part we're going to have more dollars for pharmaceutical assistance in our state, probably than any other country (*sic*) per capita. And when we talk about that, we look at it, always, the glass one-tenth full (*sic*) as opposed to nine-tenths full.

So I'm looking forward to the rest of the testimony. So far, I've appreciated your comments. But the reality is that you're getting more money in Medicaid. You want more. I understand it. It's not enough. I understand it. You can walk down the hall and talk to somebody else who can give you more money, too. And quite frankly, when we're in this room, I feel more comfortable with walking down the hall, because we can actually affect change here in the State of New Jersey by going down the hall. By talking about what's happening in Washington, the only two people who can affect change of consequence are Senator Lautenberg and Senator Corzine. So I would hope that we're lobbying them strongly to be more cooperative with the administration, which may afford us a better seat at the table. Because that's where the action happens in Washington -- it happens down there on Pennsylvania Avenue. It doesn't happen up here on West State Street.

So I appreciate this testimony. I appreciate your comments, and I look forward to the rest of the hearing and defer to my colleague.

ASSEMBLYMAN GUSCIORA: Assemblyman Pennacchio.

MS. KOHLER: Excuse me? If I could just maybe, just add some additional information, Assemblyman, and for the whole Committee, just a

little background on Medicaid. Because I know frequently when I come here, people are looking at my division. But in New Jersey, my division -- the Division of Medical Assistance in the Department of Human Services -- has responsibility for the Medicaid program. And our appropriation is about \$4 billion. But Medicaid really extends across the entire state. It's an \$8 billion program. So when we talk about \$160-some million increase, you can see that's a relatively, a very small amount.

As I said, we fund services in our Department, in the Department of Human Services, and the Department of Health and Senior Services. We provide services in schools to children with developmental disabilities across the entire state. And about 75 percent of our money is for aging and disabled clients. So that just gives a little background on the Medicaid program.

ASSEMBLYMAN GUSCIORA: Assemblyman.

ASSEMBLYMAN PENNACCHIO: Thank you, Chairman.

First, I want to express, also, my disdain that for every dollar that we send down to Washington we only get 57 cents. It's equally more painful for me, because in my district for every dollar that we send down to Trenton, we get at best, maybe, 20 cents out of every dollar. So when I put those two things together in my district, it may hurt a lot more, quite frankly in my district, than it does in yours. And hopefully, we could rectify that at the State level and on a Federal level.

Commissioner, my colleague Assemblyman Gregg had mentioned the pharmaceutical assistance program. That program will be bringing in hundreds of millions of dollars over the next number of years for some of the programs that the Federal Government has created. Can we have what your

thoughts are, or can we have your commitment and the administration's commitment that as those dollars come in they're used specifically for pharmaceutical assistance programs, such as PAAD and Senior Gold, and plugging up some of those concerns that you have, as opposed to just filling in budget gaps?

COMMISSIONER DAVY: I'd love to be able to make that commitment, but I can't speak for the Governor or the Treasurer on that issue, or the Health Commissioner. That is a Department of Health issue, working with the Treasurer and the Governor. But a point well taken.

ASSEMBLYMAN PENNACCHIO: So not putting words in your mouth, you do believe that those moneys coming in should be used for those specific programs to enhance and enrich pharmacy assistance programs?

COMMISSIONER DAVY: I think you have to defer to the Treasurer and to the Governor on how the funds, within the total context of the budget, related to the pharmaceutical assistance to the aged, is going to be applied. It's not within my purview to talk for the administration on that issue. I'm sorry.

ASSEMBLYMAN PENNACCHIO: As a legislator, it is within my purview, as one of 80, to make sure when I vote that I will vote in that direction -- that those programs, coming down from Washington, specifically for pharmacy assistance-- Again, echoing what Assemblyman Gregg said, we have the finest, if not the -- because actually, we even get better within all 50 states, if we can just take the additional moneys and we enhance and enrich those programs, and we fix some of those programs that -- some of those peculiarities within the programs that need fixing.

You had mentioned flat funding for TANF, and I just can't help but-- It is disingenuous. And maybe you have a comment on this, that for the last four years we're being told how we're, sort of, lucky. My district is being told how we're sort of lucky. That education is not being cut, and we should be applauding Trenton, because education is being kept flat, even though the budget's gone from 21-and-change to almost \$29 billion. Do you have a comment on that or do you have any--

COMMISSIONER DAVY: On education?

ASSEMBLYMAN PENNACCHIO: No. But just, in general, as far -- your testimony was that a flat funding in TANF is tantamount to a bad thing. And I may agree or disagree.

COMMISSIONER DAVY: Well--

ASSEMBLYMAN PENNACCHIO: And yet the administration whom we both deal with is saying flat funding, frankly, is good.

COMMISSIONER DAVY: Well, I said with TANF flat funding -- I mean, if flat funding were just flat funding, that would be one thing. But we're being asked, on TANF, to sustain flat funding at the same time that they're putting increased work participation rates on top of that. The Federal Government would have you increase your work participation rate, which is a good thing, but they're not providing the dollars to support that. They're increasing that participation rate without -- and then putting a barrier in front of you saying, increase the participation rate. But the barrier is, they're not going to support, with dollars -- supporting the increased child care that would enable people, that need to have those work participation rates, get to what

they need to get to. Because there's the children. What do I do with my children? That's the question.

And that's -- is that something for the State to assume now? Is that a cost shift? Is that something -- I think that we all have to have a debate here, a public policy debate, on whether, yes, this is something the State should assume. But then when the State makes the decision, yes, we're going to assume that cost, then what happens is, is the Federal Government has been successful in shifting a responsibility from itself to the State. And we all need to go into that with open eyes. I mean, we all need to understand that everybody is, like, playing this shell game and moving costs around to make themselves be better financially, or whatever the case may be. But the poor people in the middle that are getting squeezed are our consumers and our clients that we see every single day. That's my point.

My point with TANF was, if flat funding were just flat funding, fine. We would live with that, we would do the best we can. Would it be great? No. But we're being asked to assume higher participation, work participation rates, at the same time that they're not funding the ability to get to those work participation rates.

ASSEMBLYMAN PENNACCHIO: I'm just a little confused, through the Chair. High work participation, wouldn't there be a commensurate drop in the amount of people that TANF services then, that's decreasing?

COMMISSIONER DAVY: If you could get them there. You can't get them there without providing the child support--

ASSEMBLYWOMAN PREVITE: Day care.

COMMISSIONER DAVY: --the day care.

ASSEMBLYMAN PENNACCHIO: Day care. Now, again, part of this program, and everything is interwound, but within the Abbott districts now, we are spending hundreds of millions of dollars on a program that just a few short years ago didn't exist.

ASSEMBLYMAN GUSCIORA: Wait a minute. Could we stick to Human Services? I know the Commissioner has limited time, and I'm going to have to excuse him. But if you have any questions for Human Services only, because the Commissioner needs to go to another meeting. Well, you could talk about--

ASSEMBLYMAN PENNACCHIO: Well, what I'll do, respectfully, Chairman, the Commissioner brought up the idea of how are these children going to be taken care of. And one of the issues maybe has already been addressed by having additional moneys spent on preschool programs within some of the urban areas, which is, I assume, a large part of where the problem exists.

ASSEMBLYMAN PAYNE: Are we going to have somebody from Education here, Mr. Chairman?

ASSEMBLYMAN GUSCIORA: Yes, yes, yes.

ASSEMBLYMAN PAYNE: Well, why don't we say there -- stop the games we're playing here, for crying out loud.

ASSEMBLYMAN GUSCIORA: Well, you're not playing games--

ASSEMBLYMAN PENNACCHIO: Well, let me finish, because I got a feeling--

ASSEMBLYMAN GUSCIORA: --you're being probative.

ASSEMBLYMAN PENNACCHIO: Yes.

Thank you, Commissioner. I appreciate your testimony.

If I just may end, just a few comments, Mr. Chairman.

ASSEMBLYMAN GUSCIORA: Does he need to be here just for your comments?

ASSEMBLYMAN PENNACCHIO: No, thank you. But just if-- You can go.

ASSEMBLYMAN GUSCIORA: How about if we excuse him. We'll go back to your comments and then just--

ASSEMBLYMAN PENNACCHIO: Sure.

COMMISSIONER DAVY: Thank you.

MS. KOHLER: Thank you.

ASSEMBLYMAN GUSCIORA: Commissioner, thanks so much for your time.

COMMISSIONER DAVY: All right.

ASSEMBLYMAN GUSCIORA: I know you're doing good things down there with the limited resources you do have. And hopefully we can bring back the parents of the children on Family Care.

Thank you.

COMMISSIONER DAVY: Thank you.

MS. KOHLER: Thank you.

ASSEMBLYMAN GUSCIORA: I'm sorry, Assemblyman.

ASSEMBLYMAN PENNACCHIO: Thank you, Mr. Chairman.

One group of people that, quite frankly, weren't even discussed this morning was the taxpayers. We talked about budgets in Washington and

budgets in the State, and we talked as if there's an open-ended pot of money, as if all you have to do is just will it and it will happen. But nobody ever talks about the people who have actually paid for these programs. There's illusions that these people perhaps are smug, because they care how their taxpayer dollar's spent. And we were told that we should "redirect these moneys." I agree. I think we should reprioritize some of these moneys, and I can give you good examples. There's no reason in the world we have to be continuing to give cities like Newark \$700 million a year and stand idly by while they give rich hockey owners--

ASSEMBLYMAN GUSCIORA: Assemblyman, can we save this till the end of the discussion, because I'd like to get through the testimony.

ASSEMBLYMAN PENNACCHIO: It's part of -- it's -- all this money is the same. It's all taxpayers money, Chairman.

ASSEMBLYMAN GUSCIORA: Well, we have limited time for our people.

I'd like to have Mr. Casperson, unless-- He needs to speak about homeland security.

ASSEMBLYMAN PENNACCHIO: We were asked how we could fund these programs, and I'm giving you a couple of examples.

ASSEMBLYMAN GUSCIORA: Assemblyman--

ASSEMBLYMAN PENNACCHIO: Okay.

ASSEMBLYMAN GUSCIORA: --I don't want to cut you, but--

ASSEMBLYMAN PENNACCHIO: Okay. Thank you, Chairman.

ASSEMBLYMAN GUSCIORA: --if we can have the testimony. You can have plenty of time to discuss it.

ASSEMBLYMAN PENNACCHIO: Okay.

ASSEMBLYMAN GUSCIORA: But I think we need to move on just for the moment.

I'd like to invite up Sid Casperson, who is the Director of the Office of Counter-Terrorism. And his testimony is on the Federal Homeland Security aid, which I think is very important and is something where Federal dollars are not coming into the State.

SIDNEY J. CASPERSON: Thank you, Chairman Gusciora and members of the Committee, for inviting me to testify on behalf of the Office of--

ASSEMBLYMAN GUSCIORA: If you could put your mike on, with the red button? (referring to PA microphone)

MR. CASPERSON: Oh, okay. Do you want me to start over?

Thank you, Chairman, for inviting me to testify on behalf of the Office of Counter-Terrorism and on the impact of the proposed homeland security Federal budget on the State of New Jersey. I have with me my Chief of Staff, Angela Labelle, who actually works on a number of the committees in dealing with the funding. So if we have any difficult questions, I'll just, kind of, pass them.

I want to talk a little bit about our approach in the Office of Counter-Terrorism, as an agency responsible for leading and coordinating counter-terrorism efforts across the State of New Jersey. The Office of Counter-Terrorism has taken a unique approach to investigating and analyzing the terrorist threats to the State.

Intelligence is our strongest weapon against terrorism, and intelligence information is what drives the OCT investigations. New Jersey's ability to analyze information, generate intelligence, and operationalize law enforcement to counter potential threats improves our ability to deter future attacks. That is OCT's chief objective.

The OCT works closely with personnel in several Departments of Homeland Security directorates, chiefly those within the Office of State and Local Coordination Preparedness (*sic*), and the Information Analysis and Infrastructure Protection Division. This close relationship is designated to ensure that the threat intelligence gathered and generated throughout OCT's investigations and analysis becomes part of the national threat picture that DHS is responsible for maintaining.

OCT has created and maintains an information technology backbone that facilitates the sharing of terrorist threat information across the state, as well as a central repository for information on our critical assets. We publish a variety of products for State, local, and Federal law enforcement, and private sector partners to ensure the exchange of urgent threat information on a real-time basis and to raise the level of threat awareness across the state.

The Office of Counter-Terrorism's Critical Infrastructure Protection Program has a history of close collaboration with the Department of Homeland Security's Infrastructure Protection division personnel on several pilot projects that have become models for critical infrastructure protection across the country. These projects include the Buffer Zone Protection Plans; installation of Webcams at critical, high-risk facilities; a freight-rail survey and assessment project; and the Regional Test-Bed Project -- the ASOCC, the

HSIN, the Site Profiler, and the Radiological Pilot programs are all unique, and all being run here in New Jersey with the Office of Counter-Terrorism and the Department of Homeland Security.

OCT's training program has provided assistance to DHS for soft-target awareness, and surveillance detection, threat and risk assessment, and critical infrastructure protection.

The criticality of OCT's mission is underscored by the fact that New Jersey has served as a staging area for several major terrorist plots and attacks, and houses an unmatched collection of critical infrastructure sites that would be targets for terrorists.

The critical infrastructure: In sum, New Jersey houses four nuclear reactors; one of the largest financial sectors in the country outside of New York; the third largest public transportation system in the country; two international airports, Newark and Atlantic City; the largest concentration of chemical manufacturing and storage facilities in the country, Hudson County is considered one of the highest-risk chemical areas in the country; George Washington Bridge, the Lincoln, the Holland Tunnel; the New Jersey Turnpike, I-95 corridor; the Port of New York and New Jersey, the largest seaport by shipping volume on the East Coast, designated by the Department of Defense as secondary sustainment ports of embarkation which supports the defense of the entire nation; 12 Atlantic City casinos; a proliferation of large shopping malls; and Ellis Island, in close proximity to the Statue of Liberty.

Finally, with 438 people per square kilometer, New Jersey far outranks every other state in population density. Thus, New Jersey is a paramount example of a state with a decentralized but large, dense population.

However, DHS's Urban Area Security Initiative funding model favors states with large or multiple urban areas. Therefore, when compared to states which have their populations in one of several concentrated areas, such as Nevada and Colorado, New Jersey receives a disproportionately lower share of the funds.

This year's funding distribution model used to allocate the UASI funds is a combination of five indexes. The indexes are: A combination of threat index derived from classified Intelligence Community information and reported Federal, State, and local incidents; a law enforcement activity index that accounts for the number of FBI terrorism-related cases under investigation and/or arrests, along with DHS's Immigration and Customs Enforcement data for special interest alien apprehensions; an index for the national critical public and private sector infrastructure, weighted for vulnerability and consequences of loss; and an index for formal, written mutual aid cooperative agreements. And the most heavily weighted index is the index for population and population density. Each of these indexes is weighted and combined to give an overall final calculation that is used for ranking the cities and urban areas, to help determine the level of funding each selected city or urban area will receive.

New Jersey has adopted a unique, regional approach to allocating DHS's Urban Security Initiative (*sic*) funding. New Jersey's UASI includes the two core cities of Newark and Jersey City, as well as the six contiguous counties of Bergen, Essex, Hudson, Morris, Passaic, and Union. And through the above-referenced formula, New Jersey does not get credit for establishing a regional approach.

The 2005 reduction on New Jersey's UASI funds has had a devastating impact, not only on new initiatives identified by the UASI working group, but also on homeland security initiatives implemented under last year's funding that require additional financial support to realize their completion. The biggest beneficiary of the funding is New York City, which has been awarded a \$208 million grant in '05, up from \$47 million in '04. Los Angeles, Washington, Chicago, and Boston are also getting larger grants, but none as substantial as New York.

New Jersey's UASI region has been recognized as a model in collaborative partnerships while embracing the federally encouraged concept of regional planning. In February of '04, New Jersey's UASI region was cited in the National Association of Counties Homeland Security Funding Survey Report indicating that, "cooperation has been outstanding." In September of '04, representatives from New Jersey were asked by the ODP -- that's the Office of Domestic Preparedness -- to speak to the regional UASI Conference in Tampa, outlining the successes in our region. In June of '04, New Jersey's UASI program was also noted as a model initiative in Secretary Tom Ridge's Task Force on State and Local Homeland Security Funding, which was formed to look into changes in the way that homeland funding is administered at the Federal, state, and local level. And also, in October of '04, our UASI region received the 2004 Quality Assurance New Jersey Award, denoting best practices in State government, for its tireless efforts and innovative initiatives.

On February 1, 2005, representatives from the State of New Jersey and the Department of Homeland Security met as a follow-up to an earlier meeting with Undersecretary Asa Hutchinson. The purpose of this meeting

was to discuss the Federal funding formula for New Jersey's UASI region and, in particular, the five aspects of the formula and how DHS applied New Jersey data to that formula. We discussed ways of improving information sharing between New Jersey and the Department of Homeland Security in order to make sure that future applications of the formula were relevant to New Jersey's situation concerning counterterrorism, homeland security, and critical infrastructure protection.

We discussed the interconnectivity between New Jersey and New York City, and that an attack in either location would significantly impact the other. The events of 9/11, the power blackout of 2003, and the planning for the Republican National Convention demonstrated that New Jersey was the major evacuation route for New York City. For example, if there were a chem/bio release in New York and contaminated victims streamed across the Hudson River crossing, New Jersey would be in a very difficult situation as it relates to quarantine, treatment, and decontamination. Part of the six million that was spent by New Jersey during the RNC to create temporary, additional ferry landings, train evacuation routes, etc., consisted of UASI funding.

We shared with DHS personnel New Jersey's best practices and buffer zone/target hardening initiatives for public and private elementary schools. Acting Governor Codey has made this subject a high priority, and we believe there is a lot of opportunity here for collaboration and coordination with the department.

We discussed the need for a more regional approach to homeland security funding for the Northeast region, particularly the I-95 corridor. Where regional UASI intergovernmental arrangements exist, the total

population and critical infrastructure, as well as other factors, should be included in the formula calculations.

The formula, as currently set up, appears to favor significantly the weight given to population, specifically the major metropolitan areas and, in particular, New York City. The past focus on FBI case inventories to the exclusion of OCT investigative activity has also put New Jersey at a serious disadvantage. The Domestic Security Preparedness Task Force recommends that DHS create a working group to study the appropriateness of this funding formula.

What won't be done in the future regarding target hardening? When it comes to rendering a building safe, fewer funds will be available for the installation of technology and other equipment to render a building safe. There will be a decrease in the number of officers to protect that particular site. In addition, there will be fewer funds to purchase and install protective equipment for police officers assigned to protect those buildings.

Projects that ensure the interoperability of first responder two-way radio services from different areas of the state would be scaled back. This involves the same problem we dealt with on 9/11, when first responder two-way radio systems failed to communicate with one another.

Portions of our railroad infrastructure would not be protected. Projects that would have placed additional protections on our rail yards and bridges, where hazardous materials are carried, cannot be put into place; and highly effective technology-based solutions would have to be scaled back.

What kind of equipment purchases will we have to scale back? Vehicle/concrete barriers that stop vehicle-borne explosives -- these were used

around the Prudential building for protection, and can be used to stop a truck or a limo bomb from impacting a building.

Equipment that is essential for first responders to safely perform their jobs: Respirators with canisters that protect them from chemical, biological, radiological, and nuclear explosives; decontamination suits; portable radios; tactical rescue and transport vehicles for getting officers to a scene and removing injured parties; escape hoods, which can be placed in police cars and patrol areas that house volatile chemicals. In the event of an attack, the hood would allow the officers to more safely leave the area.

And what kind of initiatives will be scaled back? The intrusion detection systems that provide advance warning to law enforcement via the Web-enabled surveillance systems; the buffer-zone protection plans that would protect hospitals, malls, and schools with barriers and other technology-based systems that would make buildings less vulnerable to attack; providing radiological detection equipment for our first responders; the expansion of the number of urban search and rescue teams; software-based tools that assess the State's critical infrastructure of vulnerabilities; and funding cuts for EMS. These are the cuts that would go to the rescue squads and the ambulances.

In addition, we would not be able to cover, once again, the Orange Level overtime costs. The State's financial sector, remember, was at Orange from August 1 to November 10 of '04.

I've included, attached to the back, what we received in the '05 funding, and the reductions therein, for your perusal. And then on the '06 proposed budget, obviously these are budgets -- are totaled. They're not yet divided by states, but you can see, adding them up, that there will be some

reductions. We're hoping in New Jersey to be able to -- through our meetings with DHS, through our meetings with the Congressional delegation -- to get additional funding in the '06 budget to bring our level of funding back up to where we thought it should have been in '05.

ASSEMBLYMAN GUSCIORA: Thank you, Mr. Director.

I do want to compliment you on your work. I know you've gotten high marks for your direction of the department. And with the limited amount of funds you do have, you've done extraordinary work since you've taken over the department. So I wanted to congratulate you on your efforts.

MR. CASPERSON: Thank you.

ASSEMBLYMAN GUSCIORA: I'm actually here because I'm not satisfied that the Federal Government gives us 57 cents back on every dollar, and I think that we have to get as much bang for the buck as possible. I thought it was absolutely shameless that New Jersey ranks 36th in the amount of per capita in Homeland Security dollars that comes back to our State. We ranked either eighth or ninth in overall funds.

If you were a battleground state last year, you did sizeably well. States such as Missouri, or Georgia, or Illinois, and Michigan all got more Homeland Security funding than we did. Florida, Texas, being the other top three states that received Homeland Security funds. I find it's absolutely unacceptable that the Federal Government has short-changed us on the Homeland Security Fund; that they've zeroed out the cops program, that will result in a property tax increase if the cities and towns in our state that benefitted from the Federal cops program want to keep those police on that

they were able to hire. They have to come up with their own funding for these matters.

Do you have any sense of per capita dollars? Will we get better or worse in the ranking? We're ranked 36th, is my understanding. After the 2006 budget, will we go up or down in that ranking?

MR. CASPERSON: Well, I'm very hopeful that we go up. I think there's two issues. One is that Congress, when they issue the funding, there is a flat-based funding for every state regardless of population. I think this is where we get into the Montana versus everywhere else in the world. The significant issue for us here in New Jersey is urban security initiative. That is discretionary funding at the direction of the Secretary of Homeland Security. And the funding formula that they are using, which I described -- the five areas of that funding formula -- are the reasons why we got less funding.

When you compare us to a New York City, we're always going to get less, when you talk about the number of buildings over 32 stories, etc., etc. What we want them to do in Washington is to consider our regional concept, which we believe everybody should be doing anyway. And that is, the six counties have a population of three million people. Now, we have two large cities, Newark and Jersey City, which are above the \$250,000 (*sic*) population formula that they use for cities. And again, we have the most densely populated state in the nation. They also look at our -- at the critical infrastructure. Again, when you look at New Jersey's critical infrastructure and you look at the amount of critical infrastructure we have in those five counties, it's unbelievable. But taken individually, and looked at individually, it can't be weighed properly.

Again, we talk about New York City gets credit for, in their critical infrastructure, 25 miles out. Now, if that same formula applied to us, Newark would get credit for everything in New York City. And I don't think they weigh it that way. And so because we have a chemical plant that, if attacked, would affect New York City, they take that into their funding request. That same critical infrastructure would have devastating effects on the State of New Jersey. But are we getting credit for any attacks in New York City, which means that all of the people that would be affected by that attack would be evacuating to New Jersey? And the answer is no.

I think one of the approaches we want to make, and we presented this to DHS in our meeting with them, is this evacuation issue. We haven't got the funding to pay for the equipment to adequately supply our first responders. And if we have that massive evacuation, not only do we have the 400,000 residents coming home, but we have everybody else in the city of New York who is trying to get out. And you saw that on 9/11. They were taking ferry boats. They were taking everything they could do to get into the State of New Jersey. They weren't heading in New York. So that's one of the issues.

ASSEMBLYMAN GUSCIORA: And the other problem that I have is that if you see any national TV news show, whether CNN or FOX TV, all during this last year, you saw broadcasts of Newark when we had a elevated code alert. You see scenes from Newark Airport. You see scenes from Port Liberty and the Newark harbor. But yet, it seems that the Federal Government doesn't have that same recognition that New Jersey is, indeed, at a critical place and vulnerable for terrorism attack. What doesn't the Federal Government see when they think of New Jersey?

MR. CASPERSON: When they evaluate the threats, Chairman, they look at the city or the state located. And quite frankly, New York City got extremely large funding; the state of New York did not. I can see Buffalo and Albany and all these other areas saying, "Hey, what happened to us?" But the bottom line is, is that in the threat analysis they used the threat of an attack in New York City. Now, when they talk about the Lincoln and Holland Tunnels, are they including New Jersey? They say they are, but I don't believe that. Because they say, "Well, if the threat was on the New York side of the GW, it's not a threat." Well, that's wrong. That's inaccurate. Any threat against New York City is actually a threat against Newark, Jersey City, and Northern New Jersey, because we're going to be definitely impacted by it. And we're asking them to reevaluate that.

When they look at the investigations being conducted by the FBI, they looked from a perspective of how many full investigations they have active. If you look at New York, where they have probably 350 FBI agents assigned to terrorism, and an additional number likewise of locals and state, obviously they can operate and conduct a lot more investigations. In the total office of Newark, all their FBI agents, and they don't work terrorism, is not 350. So I think you have to weigh that. And then when they talk about customs and immigration and they talk about the number of arrests of aliens that they're interested in -- when you look at the activity they have in New York City and JFK and LaGuardia, and then look at the activity we have in Newark, and obviously it's skewed. That doesn't mean that those people weren't destined to come to Newark or New Jersey, because they were, probably. They might have been landing somewhere else.

I think we have made the argument. I think they have agreed to review the argument. And I'm willing to give the new Chairman, or the new Secretary, a chance to take a breath or two, down there, but I think he needs to address this, not only for us, but nationwide. I think there are a number of other states and cities that -- where their UASI money was cut based on what they consider a new threat base in the population density and the population figures. And I think that's wrong. I think we ought to look at what the real history is here of terrorism. What we ought to look at is any threat against New York; Washington, D.C.; Philadelphia. We're right in this triangle -- the I-95 corridor. And we're going to be impacted heavily.

ASSEMBLYMAN GUSCIORA: Thank you.

Any members?

Assemblyman Payne.

ASSEMBLYMAN PAYNE: Good morning.

The scenario that you laid out is very clear. And the disparity between funding between our state and New York, etc., is very, very clear, as well. The difficulty I have is, if it's so clear to us and it's logical, then what seems to be the difficulty on the Federal level? I don't know whether it has to do with -- perhaps you can tell me what you think it has to do with? But it's very clear, very obvious. We have, as you mentioned, the chemical plants up and down the New Jersey Turnpike, which obviously are just sitting ducks. We have the tunnels and the bridges, as you mentioned. It's very, very clear they're sitting there. Yet, we can't seem to be able to get the kind of response and a fair formula from the Federal Government.

What kind of progress, if any, are we making with Chertoff? You say that you want to give him some time to get his feet wet, or what have you. I don't think that those who, perhaps, pose a threat to us are waiting also. Is there anything that's happening on your end to try to eradicate this tremendous disparity that exists between the \$208 million, I think you said, that New York City got, and the 47 million that the State of New Jersey got? What kind of progress, if any, are we making?

MR. CASPERSON: Well, Assemblyman, we've been meeting with DHS. We've had regular dialogue with them, and we're going back and forth with them on a review of our threat assessment, incorporating into that our investigations and our-- We've reviewed the critical infrastructure list. We then gave them a new, and updated, and prioritized list. I think we have made a number of positive steps there.

When I was talking about Secretary Chertoff, what I was saying was that he has only just gotten there. He is putting together his new team. And once that team is in place, as I understand it, all of his upper echelon has left. There's no current appointee in place right for infrastructure protection and information analysis. Those are the groups that we deal with in information and in the infrastructure, which weigh heavily.

And I think they're considering a change in the way they look at the formula index. Congress has said a number of times that they want these to be threat-based. I think if we can get the rest of the country to agree to that, we have the threat here in New Jersey. And if they can take off the blinders -- and it's a mathematical assessment that they do with these indexes. And if you compare the number of people in New York City, the number of

buildings in New York City, the number of threats against New York City -- they're coming in on the Internet by the truckloads -- you will see that, if you did the math, they would win out. But you have to take the blinders off, and say, "What does that mean to the region?"

We are only separated by water. It's arbitrary. We don't use those borders of towns, cities, and counties here to do our funding. We take the borders down and say it's a region. And the Federal Government, DHS, has to do that. I believe we've made a very persuasive argument, and I believe they are going to make some changes. And I'm hopeful that we get the recognition for Newark and Jersey City that we should, as well as for Bergen County and the other counties that border up, and the bridges and tunnels. Because if they don't do that, it may be to the point where the State of New Jersey says, "But if you have an incident in New York, we are going to shut down access to our state, because we don't have it."

ASSEMBLYMAN PAYNE: We've had the experience not too long ago, 9/11 was the experience that layed it very, very clearly what we can expect if something like this happens again. I'm not sure what is necessary to convince whomever we need to convince what may possibly happen. All we need to do is go back a couple of years and see exactly what did happen. We had a scenario that was acted out. I'm not clear on -- we're sitting down with DHS and want to get them to see -- or that we are a region and that only the river separates the two. I mean, it happened. It just happened a couple of years ago. And I'm not sure I can understand what needs to happen for us to be able to lay out a scenario. It happened. We already had it. It's not like a -- we're not talking about something that might happen. It has happened, and

we should not need to come up with any kind of new evidence to convince whomever it is we need to convince that we need to change that kind of formula.

My God, it would be one thing if it was a virtual kind of thing that we said, "Well, if, in fact, so and so happened, then this may happen." We had it. All we need to do is look back, and it occurred here. I'm sure all we need to do is take the data: How many people came across the river? How many people tried to get through the tunnel? It's right there and clear to me, and I don't know what we need to do here in New Jersey to convince those who are responsible for revising this formula to do it. It just baffles me. It's one thing--

For instance, we're sitting ducks. We really are. The fact is that we do have the tunnels there that could be destroyed. We do have the bridges that could be destroyed. We do have the chemical plants, etc., up here. They're right there. It's just -- what -- we're waiting for the second phase? I'm not sure. And I truly hope that we'll be able to use whatever you need to use, or we need to use, to convince those who are making the decisions that it just -- needs to look back a couple of years, and they'll find out exactly what the scenario may be.

MR. CASPERSON: Well, I appreciate your passion. I have the same passion and the same argument to show that this did happen here, if we did have the evacuation into New Jersey, and we do have issues. The discretionary funding at DHS, the UASI funding, it's got to be reevaluated. It's got to be relooked at. We're doing everything we can to get them to do that.

I think our Congressional delegation -- bipartisan issue with them -- they all stepped up to the table, and we need to carry the day before this is all over.

ASSEMBLYMAN PAYNE: Thank you.

ASSEMBLYMAN GUSCIORA: Assemblyman Pennacchio.

ASSEMBLYMAN PENNACCHIO: Thank you, Mr. Chairman.

I find myself in agreement with you today more than I think I ever have before.

ASSEMBLYMAN GUSCIORA: Oh, my God. (laughter)

ASSEMBLYWOMAN PREVITE: Bless my soul, what in the world happened? (laughter)

ASSEMBLYMAN PENNACCHIO: I also want to thank the--

ASSEMBLYMAN GUSCIORA: I have to reevaluate my positions now.

ASSEMBLYMAN GREGG: Come on over, Reed.

ASSEMBLYMAN PENNACCHIO: I also want to echo the Chairman and applaud you, Mr. Director, and say what a fine job you're doing, and in just generally saying that I agree with most of what you said today. I think we should get more money from Washington, no doubt. And I'm glad that you, as well as a lot of people, are fighting for that money.

Just as importantly as getting the money, obviously, is the way that we spend it. And if I could share something with you, and not to put you on the spot, but just to get your opinion on it. From the Public Information Office on the Web site of the City of Newark, they are applauding the purchase of 10 garbage trucks, each at a \$175,000, with the moneys gotten

from Homeland Security. Is there a reason that -- maybe I'm just ignorant to the fact -- is there a reason that we're using Homeland Security money to pay for almost \$2 million worth of garbage trucks?

MR. CASPERSON: I am not aware of that. Every county, it would -- incorporates the cities -- has a working group. There's a spending plan. The Homeland Security funding that we get in those plans has to go for items that are on that list. The State has a Homeland Security spending plan that has been put forward to DHS. All of that is where the money goes. I don't know, in the particulars, for the City of Newark, for garbage trucks. I don't have any of that information and wouldn't. But when we look at what the UASI money and the Homeland Security money is spent for, it comes out in a spending plan from a county working group that incorporates the Office of Emergency Management, the police, the fire, the County Executive's Office, the Prosecutor's Office, and the County Terrorism Coordinator, and our office, and the Office of Law and Public Safety.

ASSEMBLYMAN PENNACCHIO: And garbage trucks.

Just thank you, Mr. Director.

Just in closing, one reason that we may not be getting our fair share, and I agree with you, is that there has to be a certain amount of credibility, not in the people that are running the show, because you certainly lend a great deal of credibility to that, Mr. Director, but in the way that we spend those moneys. So quite frankly, I would hope that we would scrutinize that in the future, and if there is a \$2 million expenditure for garbage trucks, at least the public could be made aware of it while it's happening, why that \$2 million was spent?

Thank you.

ASSEMBLYMAN GUSCIORA: Assemblyman Gregg.

ASSEMBLYMAN GREGG: Thank you, Mr. Chairman, and thank you for being here, Mr. Director. I certainly want to concur with my colleague. It is very unfortunate when we have misuse of funds. I think that it is something that certainly should be looked at by this Committee and find out if that is true. Because if we're here looking for truth and we're here trying to ensure the dollars are best spent, we should not be taking dollars away, as a State, from the equipment that you have aforementioned, as it relates to emergency workers, firemen. Those are things that we could have bought. So, obviously, in Newark, we must have enough of that equipment. Is that true?

MR. CASPERSON: I don't believe anybody has enough of that equipment. But I'd have to defer to get back to you, because there is a Homeland Security Director for the City of Newark, and the County Terrorism Coordinator there. I can get back to you with an answer. I have no idea about any of those expenses for garbage trucks. And the answer is, no. They need more equipment in Newark.

ASSEMBLYMAN GREGG: I would assume that. That's a rhetorical question. I would assume that every fire department doesn't have everything they need. So you would certainly come in front of this Committee and tell us that you, if you found out that this is true, that you would ask Newark to give that money back so we could give that money appropriately to those folks? Would you help us do that?

MR. CASPERSON: Well, I don't have the authority to ask for money back.

ASSEMBLYMAN GREGG: I think you, in your position, have the authority to do a lot of things, through the Chair. I think if you were to make a public statement to say that if there's been money used on garbage trucks--

ASSEMBLYMAN PAYNE: In Newark now, make sure it's Newark now.

ASSEMBLYMAN GREGG: Wherever it is. I don't care if it's in Morristown. Wherever it's being used inappropriately, where it should be used for something else, that we should decry that together, because the money is limited. And while I don't wish to take garbage trucks from Newark, I think you've made an eloquent testimony today that, you're right, it's very difficult when you have limited resources. Much of this stuff is -- these grants are designed for those types of pieces of equipment, and to enhance the capacity of our people to do their jobs. So I think that's a pretty serious article. I hope it's not true. If it is true, I hope we get to the bottom of it very, very quickly.

As it relates back, though, to the bigger picture, it does appear by my numbers that there's actually going to be more money allocated for Homeland Security in this budget than there was in the past. At least that's what the administration--

MR. CASPERSON: In the '06 budget?

ASSEMBLYMAN GREGG: Yes.

MR. CASPERSON: Yes. But we don't know how that's going to be divvied out yet, and how we're going to fare.

ASSEMBLYMAN GREGG: And that's really the crux of the issue.

MR. CASPERSON: Right. And that's why we're working with Homeland Security now, and have been working with them since January, to

try to make our case for evaluation of the State of New Jersey and our risk, and our assessment, our critical infrastructure, our populations density, and our nexus to New York City, that anything there-- And that's why we are so, almost outraged to see the extremely -- 300 percent increase for the City of New York, and our getting cut in Jersey City and Newark and the Bergen County. I mean, it's just outrageous. I mean, we are just going to be heavily impacted if they're attacked.

ASSEMBLYMAN GREGG: And I concur, as my colleague does, with you on that. But I hesitate to tell you a story that may have the answer to it. I'm always reminded by something -- a comical remark that sits in my office. Governor Jesse Ventura was once asked in a press conference why in his state, when somebody gets a haircut, they have to pay sales tax? But if they bring their dog in to be groomed, they don't. And the good Governor looked back for a second and said, "I guess the dogs had a better lobbyist." And I think that that, quite often, is unfortunately what occurs. So I would ask you, is it possible that New York -- and in this case it's not a lobbyist, but certainly it's two senators. Because the two senators from New York, of course, are both Democrats. Our two senators are both Democrats. Do you think there's any politics going on here?

MR. CASPERSON: When we talk about the UASI, it's a very formula-based divvying up of the money, because they can articulate that they have a population inside the city of over eight million. They have buildings over 32 stories. They have threats. And they use that data to create -- because this is discretionary funding. The argument they make is overwhelming. But

our argument is that any of that, that occurs in New York, affects New Jersey. How can you cut us out?

One of the things I always say, and I say this publicly in other places, is that when the State or the country goes up to Orange, what are we doing? We are sending our scarce resources to the Holland, the Lincoln, the George, and we're protecting New York City from radiological attack, bombs, and other things. What would that mean? It means that whatever devices they can't get into New York because of our good work, they might detonate in New Jersey. And so, we are, as I believe -- the Department of Homeland Security consider us, in this area, a regional Homeland Security initiative, a regional UASI, and include us in some of that funding for New York City.

ASSEMBLYMAN GREGG: As you know, Congressman Frelinghuysen, from our neck of the woods, is the sponsor of that bill along with complete bipartisan support from the State of New Jersey. And certainly as a citizen in New Jersey, we certainly, 100 percent, agree with you. I guess you can understand -- and I guess as a legislator that represents 210,000 people, but also is responsible for 8.4 million people indirectly -- if you were having the same position in the state of Colorado, and we had these hearings in Colorado, and Colorado wasn't getting their fair share in your mind, wouldn't you be testifying to the same thing?

MR. CASPERSON: No.

ASSEMBLYMAN GREGG: You would say that the Colorado firemen should not have the same protections in the event that something happens in Denver, that the protections that should happen in New Jersey or

in New York? You would not testify to that, if you were there for homeland security?

MR. CASPERSON: The argument I would make in Colorado would be based on the information of the threats in Colorado. One of the things that my office does is review not only the threats in New Jersey, but nationally and internationally. There are currently, and have been -- and you've read about most of the threats in this country -- there are parts of this country that are under threat continuously. New York, New Jersey, Washington, Philadelphia, Los Angeles, San Francisco -- and every once in a while, Las Vegas, Nevada, or some other city, gets a threat -- but we are bombarded with threats regularly. We are surrounded by the enemy here.

And so my argument and my passion about New Jersey being included in the New York assessment is real, because of the attacks in 1993 at the World Trade Center; and 2001, again at the World Trade Center. Attacks launched from New Jersey. Attacks where the plotters and the players lived in our state, operated in our state. They also surveilled our state. They also flew over our state. Hani Hanjour, when he flew his test flights to the Pentagon, flew out of New Jersey. He flew over our new plants, our chemical plants. And understanding Al Qaeda and its operatives, that information that he obtained during his time here, as well as the others that were here -- there were 16 of them in New Jersey -- in and out during the time before 9/11, studied our state just like any other military or intelligence operative. And they sent that information back.

Esa al-Hindi, who did the surveillance of Prudential, and Wall Street, and the World Bank was a student here in New Jersey at Rutgers. He

lived here. Other information that he sent back, we don't know about. And where is that? And so I believe very candidly and very passionately that I would not argue the same in Colorado. I would argue this because I know this world, and I know this area, and I know the threats. And I would not make an impassioned argument in Colorado that we're under the threat of another attack and we're going to suffer. I would argue that they need fire protection, they need equipment. But the threat, Al Qaeda and likened groups, we have a long history here with them.

ASSEMBLYMAN GREGG: The last question. I note that there's a very large increase in the Federal budget as it relates to the FBI, which is a personnel increase, I assume, a labor increase. That large increase -- how does that affect our region? Does that fall into the same generic pool of by population, or is that increase in personnel-- Because I look at threats, and you're the expert. I'm just a hamburger-flipper, as I said in the last few minutes, that--

MR. CASPERSON: I don't believe you're a hamburger-flipper, but go ahead. (laughter)

ASSEMBLYMAN GREGG: I actually was -- it's what I do, did.

MR. CASPERSON: I did a lot of things, too, in my life.

ASSEMBLYMAN GREGG: But I was a good one.

MR. CASPERSON: I unloaded trucks, but go ahead.

ASSEMBLYMAN GREGG: Well, that homeland security is a very complex issue, and a big piece of it is what you just talked about, which is get-the-criminal-before-he-gets-into-your-house concept. And then there's, what do we do after he gets into the house? And that's the horrible side that

our emergency people and our fire people have to deal with, and our police have to deal with in the event that something bad happens. The bulk of what we want to make sure has -- is that we get the criminal before he gets into our house, and we catch him before it happens.

Is that increase in FBI and intelligence people, are we getting more of that in this budget, or is something, again, you don't know yet?

MR. CASPERSON: I have not seen an increase in the FBI staffing in the Newark field office, though they may be getting an increase. Most of their increases they're looking at are intelligence analysts. I suspect that they will get some of those in Newark, but the majority probably in Washington and New York.

We also deal with, because of the unique structure of the FBI, three of our southern counties are covered by the Philadelphia Office. But you should know that I do not rely on the FBI to protect the State of New Jersey. And I can say this, because I spent a large portion of my life with them. My job here is to protect the State of New Jersey. My investigative unit, my intelligence unit works with all the counties and the municipalities. And we should not rely on the Federal Government to protect us. We should protect ourselves. And we should use whatever resources and assets they allow us to use, but we should not be tethered to them in any way, shape, or form. I do not use them for my total collection of intelligence. I deal with CIA and NSA and DIA, as well as overseas assets, and people we know in other foreign intelligence services.

Our job, here in New Jersey, is to protect the State of New Jersey and to prevent an attack. And to do that, we should be the ones who are held

accountable. Our Legislature, our Assembly and Senate, should be held accountable for homeland security just as Washington is held accountable for theirs. So I believe that, in New Jersey, as much as we'd love to have more resources in the FBI and other things, it would not make me do my job any the less.

ASSEMBLYMAN GREGG: Thank you for your hard work. I appreciate it.

MR. CASPERSON: Thank you.

ASSEMBLYMAN GUSCIORA: Thank you, Assemblyman.

I also appreciate the information that you do have on Newark. And if that's true, if we can get that money back with the money from Wyoming, that would be pretty good.

ASSEMBLYWOMAN PREVITE: Montana. How about Montana?

ASSEMBLYMAN GREGG: Well, we got a better chance at Newark, up to elections.

ASSEMBLYMAN GUSCIORA: And it is political, because maybe we could, perhaps, have the Vice President have a Summer home here, so that we could up the homeland security funding.

Assemblywoman Previte.

ASSEMBLYWOMAN PREVITE: Mr. Chairman, bless my soul. We have a director in the nation, from the State of New Jersey, overseeing homeland security. I make a strong recommendation we invite him personally to sit at this table, where you have a conversation with him right here, to present the information we have just had about all these operatives living in

our state and planning devious and devastating things against us, so that we can present to him, personally, the issues that we've been talking about here. Here is a New Jerseyan that needs to hear about the lack of support for homeland security in our own state. I think we need to do that.

ASSEMBLYMAN PAYNE: I second the motion.

ASSEMBLYWOMAN PREVITE: And I request that you do it.

ASSEMBLYMAN GUSCIORA: We surely can invite him, as well. That would be great, an excellent idea. I'm sure my colleagues would be in support of that, as well.

ASSEMBLYMAN GREGG: I think we'd love to see him here. I think he may have trouble testifying in front of us for certain reasons. But I would hope that when he comes, that he is flanked by Senator Corzine and Senator Lautenberg, so they can chat together. I think that would be good.

ASSEMBLYMAN GUSCIORA: Well, we could always exclude you from the room. And that way, then, there wouldn't be any-- (laughter)

ASSEMBLYMAN GREGG: Then there wouldn't be a security issue.

ASSEMBLYMAN GUSCIORA: --security.

ASSEMBLYMAN GREGG: That's right. It's probably true.

ASSEMBLYMAN GUSCIORA: All right.

Thank you.

And Mr. Casperson, thank you very much for coming. That was an excellent presentation. I know you've been fighting for us on the front lines, and I want to congratulate you on all your hard work.

MR. CASPERSON: Thank you.

ASSEMBLYMAN GUSCIORA: Thank you.

We'd like to do the education portion and invite Deputy Commissioner Dwight Pfennig up. And I'd like to also take the opportunity to invite Judith Savage up, from the New Jersey Council of County Vocational Technical Schools.

Do we have enough chairs for that? Or maybe, Judith, you can come then as a close second, if you have all three taken up here.

Welcome, Commissioner.

DEPUTY COMMISSIONER DWIGHT R. PFENNIG: Thank you very much, Chairman Gusciora. Joining me at the table are Jessica Dekoninck, who is our Director of Legislative Services; and Denise Vetti, who also works in our Office of Legislative Services. And you already mentioned that Judy is nearby. Of course, we work closely with her.

Mr. Chairman and Vice Chair Greenstein, and members of the Committee, we'd like to thank you for giving us this opportunity to testify before you today. The Department, and certainly well-supported by Commissioner Librera, have asked me to convey to you our strong concern about Federal funding for education in New Jersey, as President Bush has proposed it for Fiscal Year 2006. The level of funding proposed in this budget continues an unfortunate trend that's occurred over the last two years.

Overall, the New Jersey Department of Education expects a decrease in funding from the U.S. Department of Education of approximately 1 percent. Our concern focuses especially on three large areas. I will provide some highlights for you, and we have also given you some packets with some

information. And we are certainly here to answer your questions after I highlight these three items.

First, the proposed budget eliminates the Safe and Drug-Free Schools and Communities program -- a 100 percent loss of funding; the disappearance of \$4.14 million for a program that helps schools maintain safe learning environments for the 1.3 million New Jersey children is critical. The proposal to eliminate this Federal funding comes at a time when both President Bush and Acting Governor Codey have named school security a top priority. The chart we put in your packet sets forth the various programs utilizing Safe and Drug-Free Schools money in New Jersey's schools. This is the only source of funds, Federal or State, specifically dedicated to school safety and security. In fact, 40 of New Jersey's school districts use Safe and Drug-Free Schools money for security equipment, and 20 for security personnel. The proposal eliminates more than \$2 million in the Governor's and State educational agency funds to support and coordinate these activities. It would also eliminate the State capacity, as we are proposing to do over the next year, to collect, analyze, and apply statewide data on security, violence, and substance abuse. And I might add that we are working cooperatively with the Office of Counter-Terrorism, with the State Police, and the Attorney General's Office to do that. And it's been a well-coordinated effort.

Of equal concern is the elimination of \$26 million in funding for the Perkins Basic State Grant and the Perkins Tech-Prep programs; Perkins funds vocational programs at both the high school and two-year college level. These programs offer flexibility and comprehensiveness. They are the best models for seamless academic education, skills training, and continuing

education. Our two-year colleges were slated to receive approximately \$9 million of these funds. Most of the rest goes to fund vocational programs for 150,000 high school students at comprehensive high schools and the County Vocational School Districts in New Jersey. The Department supports the work that the New Jersey Council of County Vocational Technical Schools is doing to educate Congress about the importance of these programs and these funds. And it's our understanding that these conversations continue, perhaps even as we're here today.

The third major program elimination is Title II, Part D funding for educational technology. This money funds a variety of technology initiatives at the school district level. It permits the Department to provide technology support to school districts. Twenty-five percent of the funds are used for professional development so that teachers can improve their skills in using technology in the classroom. And over the past few years, you may or may not be aware, they have funded the ETCs that are located in a lot of our counties, and the Ace Centers that are located in a lot of our urban areas, for the purposes of professional development.

New Jersey will receive slight increases in three programs: IDEA, which covers special education; English Language Acquisition State Grants; and Title I Grants to local educational agencies. However, these small increases are more than offset by the 1 percent decrease, which includes the elimination of six programs: Safe and Drug-Free Schools, Educational Technology Grants, Comprehensive School Reform, Vocational Educational State Grants, Tech-Prep State Grants and Byrd Honors Scholarships, and the reduction of two additional programs, Title V State Grants for Innovative

Programs. Those were moneys that go directly to public and nonpublic schools for a variety of programs, such as after-school programs and Mathematics and Science Partnerships.

Additionally, New Jersey saw a decrease in Title I funds in 2004, and is playing catch-up now, even though they've increased slightly this year. At the same time, required NCLB initiatives increased. These additional activities include increased data collection, monitoring school choice and supplemental services, providing technical assistance for districts with schools in need of improvement, and developing expanded assessment programs that now will go through, basically, Grades 3 through 11. The decrease and elimination of other programs used to support Title I, such as elimination of comprehensive school reform, makes the situation that much more difficult.

Finally, the New Jersey Department of Education welcomes new Federal ideas for high school reform. We were active participants in the recent Governor's National Conference in that area. We had our own high school educational reform summit in New Jersey, but not at the expense of tried and existing programs. Our vocational and other programs have served us well and, quite frankly, have been models in the State of New Jersey, and they should continue to serve us well in the future. Eliminating long-standing programs such as Safe and Drug-Free Schools for new programs that are untried and untested is not a good way to allocate resources in tight economic times.

I thank you for the opportunity to speak with you, and we will certainly answer any questions that you have.

ASSEMBLYMAN GUSCIORA: Thank you, Commissioner.

I do share in the concern of the loss of Federal dollars, particularly when it comes to scholarship money, and vocational money, and Safe Schools money. Is there any figures on how many students this will effect in the state?

DEPUTY COMMISSIONER PFENNIG: I think directly on the Perkins funds, we have roughly 150,000 students that are involved in voc-ed. I would have to check the figures in the other programs. We do have them broken out separately. If they're not on the sheets we gave you, we will find a way to highlight them for you so we have an accurate total.

ASSEMBLYMAN GUSCIORA: Is there a way that the State can make up for the loss, particularly with the Perkins Fund alone?

DEPUTY COMMISSIONER PFENNIG: Well, I think at this time we would join in what a number of people have said this morning. We are working actively through the venues that we have, the chief State schools organizations. Certainly the Vo-Tech Council has been working through their folks and contacts that they have in Washington. We work through the Governor's Office in Washington, and we will continue to argue for those funds being returned. I might add, we hear different stages of progression in those arguments on a daily basis, probably much as you do. So the conversation is not over, and we are very active in that venue.

ASSEMBLYMAN GUSCIORA: If the funding level remains the same with the loss of money, particularly with the vocational schools, are any schools in jeopardy of closing, or would their programs be substantially affected?

J E S S I C A D E K O N I N C K: The programs will certainly be substantially affected. These are -- we're talking about \$26 million over all.

We can't assess yet whether any schools might consider closing or be required to close. But because it's directed at one particular program area, it's difficult to reallocate at the State level. It's not the same situation as if it were a reduction and we were looking to reallocate funds. This is a complete elimination of these dollars.

ASSEMBLYMAN GUSCIORA: Now, would--

DENISE VETTI: Could I add just one thing there? The President is proposing a whole new high school initiative program, where the emphasis would be on expanded assessments of high school students. So that what they're doing is, they're taking the Perkins budget, cutting it in half, and directing it to this new high school initiative. There is talk that there would be an option of having some vocational-technical training allowed for some of the students; but it's simply an option at this point, with the emphasis being on teacher incentive grants to reward teachers that are effective teachers, and also to, more or less, entice teachers to teach in high-need schools. So, essentially, that would be it.

ASSEMBLYMAN GUSCIORA: Well, what is the Perkins funding being utilized for now? Is it for assessments of children, or is it for actual programs?

MS. DEKONINCK: No. It's actual programs. Some of the funds go to the high school, some of the funds go to the county colleges -- so that it's an integrated program. There will be 11 million, not 26 million, available in the new Consolidated High Schools program, which Deputy Commissioner Pfennig alluded to in his remarks. This is all new. This is new programs to replace existing programs.

ASSEMBLYMAN GUSCIORA: So, in other words, you're going to take away the program dollars, but then will replace it -- we can assess the students for the programs that they've missed.

MS. VETTI: You're going to take away the program dollars. You're going to replace it with one-half the amount that was originally--

ASSEMBLYMAN GUSCIORA: For assessing the students.

MS. VETTI: --for assessing the students, for teacher incentive grants. And mixed in that batch, you might be able to allow some of it for the vo-tech students. And this would involve over 200 public school districts and post-secondary education institutes for vo-tech training.

ASSEMBLYMAN GUSCIORA: My understanding is there's 53,000 students that are going to be affected by the Title I funding. And that there's going to be increased mandates on the No Child Left Behind. How will the State administer that, if we're not going to have the Federal dollars?

DEPUTY COMMISSIONER PFENNIG: In order to meet the mandates of NCLB and make sure that we're both having districts provide the services that are mandated by different stages of it, if Title I funds are not there, we would have to discuss how we're going to do that with some State funds. Because those are things that the districts must do.

ASSEMBLYMAN GUSCIORA: Assemblywoman Previte.

ASSEMBLYWOMAN PREVITE: We initiated, within the last year, two remarkable scholarship programs in New Jersey. One is the New Jersey Stars, that gives every child that graduates from a high school in the top 20 percent of their class two years of tuition and a free scholarship at community college. We also have the remarkable New Jersey Foster Scholars

scholarship program. Both of these programs say that a child must first use any grant and scholarship money for which they would be eligible before the State would kick in with funding for their scholarship. I have already heard it, from the people in the Foster scholarship program, saying that the cut in these Federal funds may jeopardize some of the opportunities to support the youth that are getting this scholarship now. So may I ask you directly the question: How are these two scholarship programs going to be affected by the reduction in Federal money coming into the State in these various grants, and is this then going to mean that the cost, if we maintain those programs, is going to be shifted to the State?

DEPUTY COMMISSIONER PFENNIG: Well, I do believe those two programs are with the State right now. So any increase in costs would be on the State. And obviously, you would not have the Federal piece to supplement or reduce the State costs. So if they were to be maintained, the State would have to find the dollars in some way.

ASSEMBLYMAN GUSCIORA: Assemblyman Payne.

ASSEMBLYMAN PAYNE: Thank you.

Commissioner, of course the concerns that we have about these cuts -- I call them Draconian, because they impact on a lot of the programs and the ability of districts to deliver quality education, and also to give youngsters a head start and an even start, etc. -- which are really key programs when you were talking about raising the level of educational attainment for students that come from disadvantaged communities. Of course, what's happened in recent years, and fairly recently with the new members of our Legislature, is that *Abbott districts* has become a code word for minority districts. There are people

I have heard who talk about, or rail about, moneys being spent in those districts. And my God, they're not delivering the education, and we're putting too much money in Newark, I think it was, specifically -- and things like that. And of course, I guess what we're talking about now are having -- many of these programs are reduced. But are any of the programs that are going to be impacted, are any of them effective? Have any of them done the job that they were intended to do, since they've been funded? I mean, are any of them any positive programs?

DEPUTY COMMISSIONER PFENNIG: I think the one I would point to immediately is, obviously, the Perkins dollars, because I think that has done a tremendous job over the years in preparing our students not only for careers, but sometimes other programs that are involved in the vo-techs that they've developed in career academies. And obviously, the link between what is, in effect, high school and the community college experience, they've been extremely effective. There is nothing to indicate that they have not.

ASSEMBLYMAN PAYNE: And of course what that does, when we prepare these people with skills, and marketable skills, etc., that contributes then to the economy and the rest of society. Isn't that correct?

DEPUTY COMMISSIONER PFENNIG: Those are the goals of those programs, a number of those programs.

ASSEMBLYMAN PAYNE: Sure.

I note that it says here that, in fact, 40 of New Jersey's school districts use Safe and Drug-Free Schools money for security equipment, and 20 for security personnel. It says 40. How many Abbott districts are there in the State of New Jersey?

MS. DEKONINCK: Thirty-one.

DEPUTY COMMISSIONER PFENNIG: Thirty-one.

ASSEMBLYMAN PAYNE: So then, some of that money then is going to districts outside of the Abbott districts, right?

DEPUTY COMMISSIONER PFENNIG: Absolutely. And I might add, if I might interrupt just for a second, that we've been working very, very hard over the last year, as I've said before, in concert with the Office of Counter-Terrorism, the State Police, the Attorney General's Office to increase security around schools, given the recent incidents in Russia over the last year, in addition to all of the events that have happened previous to that. It's a program that counts on the Drug-Free School moneys a great deal. It's a new awareness. We're trying to gather some data so that we have all the best practices in effect.

And I think, as you've heard from Mr. Casperson, we depend on him and his folks largely to tell us what those best practices are. So losing those dollars puts a lot of that implementation in jeopardy.

ASSEMBLYMAN PAYNE: So despite the limited understanding that some people have of how these programs all come together to enable us to educate our children, and thereby develop a more effective community; despite the fact that some people have, it seems, a limited understanding between these innovative programs and being able to achieve and overcome the disparities, do you feel overall that the programs we have -- and I think we mentioned some of them, Safe and Drug-Free Schools and others -- that do benefit, I think, the entire state?

As far as the Perkins grants, now, those moneys go to youngsters not just in Abbott districts, do they?

DEPUTY COMMISSIONER PFENNIG: Correct.

ASSEMBLYMAN PAYNE: They benefit youngsters throughout the state, who qualify, who finish in that 20 percent or thereabouts, okay?

DEPUTY COMMISSIONER PFENNIG: Correct.

ASSEMBLYMAN PAYNE: I just wanted to understand this, because I have been hearing from time to time about moneys being wasted in a lot of the areas that -- around the State of New Jersey. And as I said, often it has been equated to Abbott districts and those cities, and Newark has been mentioned many, many times. As a matter of fact, I think Newark was singled out to get some kind of disparaging kind of award from one of our members not too long ago, and I think it's destructive to try to eliminate and denigrate those people who are trying to do a good job.

So I just wanted to underscore and understand that the programs we're talking about, that will be eliminated, will impact on -- across the state.

DEPUTY COMMISSIONER PFENNIG: There are several students across the board, correct.

ASSEMBLYMAN PAYNE: Across the board, right.

All right. Well, I don't have any other questions. Just that I'm very concerned that many of the programs that we've had, we've had them for a period of time. And you do have empirical data that tells us that these programs are, in fact, effective and they do work, etc. And that we need to do everything we possibly can to see to it that these programs are maintained, especially those that have had a positive impact upon students throughout the

State of New Jersey. And I want to tell you that we will continue to work to try to see to it that, not only if they teach-- For instance, we also need to make sure that we have teacher training in those districts where their teachers were poorly qualified, etc. And I think part of the money that we have will, in fact, provides training for those teachers to be able to improve their skills.

We also know that in many of the poorer districts the schools that are there are the ones that are the oldest and most dilapidated. And of course, we are now, based upon this Supreme Court decision, now trying to replace those schools which have been run down, etc., over the past number of years. So we know that not only the physical part of the schools need to be improved, but also the preparation with teachers. We also know that most of the ill-prepared teachers are in those poorer districts. We know that. And we know that teachers who are poorly prepared cannot, in fact, deliver the kind of education that they need. So we need funding also for the mentoring programs for teachers and things of that nature, as well. And I think that we have to fight every way we possibly can to retain all of the dollars that we have and try to initiate those kinds of programs that will, in fact, lift all the youngsters, so that they will all be able to make positive contributions. We need to advocate, along with you, to make sure that these funds are, in fact, restored to our budget.

Thank you.

ASSEMBLYMAN GUSCIORA: Commissioner, that would also go for the Byrd Scholarships that are being eliminated. Are they across the board? Are the students from all over?

MS. DEKONINCK: Yes.

DEPUTY COMMISSIONER PFENNIG: All over the state, correct.

MS. DEKONINCK: Yes.

ASSEMBLYMAN GUSCIORA: Assemblyman Pennacchio.

ASSEMBLYMAN PENNACCHIO: Thank you, Mr. Chairman.

I just want to share with you what the Assemblyman was talking about in my recent criticism directed at the Board of Education in Newark, after-school program. There was an after-school tutorial program, Commissioner. Was that -- under Title I, under No Child Left Behind, roughly \$1,300 a year per child, those greatest in need and at risk -- to receive extra tutorial programs after school?

DEPUTY COMMISSIONER PFENNIG: If I said that was exactly the amount, I wouldn't be telling you the truth. Why don't I get you the data on that and we can give it, through the Chair.

ASSEMBLYMAN PENNACCHIO: Oh, it was roughly \$1,300, as best I can tell. Has that program been cut?

DEPUTY COMMISSIONER PFENNIG: We have not made any decisions on the program cuts at this time, obviously, because we're still dealing with the language of the Federal budget.

ASSEMBLYMAN PENNACCHIO: That program and the criticism, and you can agree or disagree, because I have a dialogue. That program was supposed to help those kids, greatest at risk, with after-school tutorial programs. Roughly, \$1,300 a year. Yet the Board of Education only managed, through the help, I may add, of outside groups, to only enroll 65 percent of those kids, and they were applauding themselves. Do you think 65

percent of getting those kids enrolled in that program is a sufficient number? Is that a good number? Is that a passing grade?

DEPUTY COMMISSIONER PFENNIG: Well, I'd rather not comment on the passing grade. I think it's laudable that we've gotten students to participate in the program. And I think sometimes that's difficult. There are some settings where, depending on what -- if you have never had a program before, where 65 percent would be considered good. And in other settings, if you've had the program exist for a long time and if it dropped from a higher percentage to 65 percent, you wouldn't think it was good. I would have to know what the potential audience was, what the problems were that were incurred. Because there are also many conditions on after-school programs with students, in terms of they're being able to attend and attendance. But if I were looking at that as an initial year of a program, I would think that was good. And I would base that on some of our other experiences that we've had in programs in areas of high poverty and where students have had other kinds of problems.

ASSEMBLYMAN PENNACCHIO: Are you aware that whatever moneys did not go to those children the individual school board was able to keep? So regardless whether they enrolled children or not, they still kept the money. Are you aware of that?

DEPUTY COMMISSIONER PFENNIG: Yes. And I think we could look and see what--

ASSEMBLYMAN PENNACCHIO: Do you think the Federal Government, through the Chairman, is looking at things like that? That when you have a program that's trying to reach those kids greatest at risk and you

only manage at best to get 65 percent, that maybe next year they won't fully fund that type of a program, or they'll say, "It's not working. We really should look at different venues?"

DEPUTY COMMISSIONER PFENNIG: I don't know if the Federal Government looked at that or not. Because when they deal with Title I moneys, they deal with all of the school districts in the State of New Jersey, and I'm sure they look at it that way, in general. If they got to that level of detail, I don't know. All I do know is, they did reduce our Title I funds, and it affects all of those kinds of programs. So to say they were judging it on that one program would be a misnomer.

ASSEMBLYMAN PENNACCHIO: Are you aware that there were outside vendors that were brought in to tutor these children in school, and that they were being charged rent by the Board of Education in Newark?

DEPUTY COMMISSIONER PFENNIG: I would have to sit down and go over all of the Newark agreements that they've had with both vendors and providers to substantiate that information. I don't deal with that on a daily basis, so I wouldn't say that I know that absolutely. But I can certainly provide the data that would show that or not show that.

ASSEMBLYMAN PENNACCHIO: Do you have a position on that? I took the position that it's not fair, because every rent dollar that you took away was one less dollar that you had to tutor that child?

DEPUTY COMMISSIONER PFENNIG: I don't have a position on that.

ASSEMBLYMAN PENNACCHIO: You don't have. Okay.

Part of what we spoke about all morning, quite frankly, is credibility. It's not only getting the dollars, it's the way that those dollars are spent. It's not open-ended. We have taxpayers that are fleeing the state, especially those on fixed incomes, because they're suffocating. They're suffocating with taxes at a Federal, State, and local property level.

This morning -- it's unfortunate that the Assemblyman had left, because he was talking about funding. And quite frankly, there's never enough funding, even though the Abbott districts -- and he brought it up, so I'd like to finish the conversation -- 20 percent of the kids, roughly, get 60 percent of the State funding. And yet, with all that money in his home district in Newark, only 45 percent of the kids, at best, manage to graduate high school. So it's worrisome to me. It's worrisome to me that the taxpayers are footing the bill for this. It's worrisome to me that these kids are not graduating, these kids are not passing.

So we have two major concerns here. And if I had to prioritize the concerns, the concerns would be the kids. Why, after all this money, aren't these children being able to pass and graduate high school?

DEPUTY COMMISSIONER PFENNIG: I think if we're going to bring up the results of the tests, I think we should also bring up the kinds of progress we've been making, in looking over the last three years -- and I can only answer for the last three years, because I've only been here for that long in Trenton -- and making sure that we monitor the effectiveness and efficiency of some of the programs that are going on, not only in the Abbott districts, but everywhere, but with emphasis on the Abbotts.

And I think the work in our Abbot division has shown that with the right attention that, to budgets and also to progress of students, some progress can be made. There's no doubt in my mind, and I'm sure in your mind, that I would like to see things change overnight, in terms of student graduation rates and progress on tests. But there's also no doubt in my mind that our evidence, over the last three years, shows substantial improvement in a number of troubled schools due to the work that we've been doing, and zeroing in on effectiveness and efficiency. I think that's a prideful statement from me, but our work will never be done, because it's work that should never be done. And it's work that we should continue to do, and work with districts to make it better. And the emphasis does go to those districts that are performing most poorly. But certainly, that should be a goal of all school districts.

ASSEMBLYMAN PENNACCHIO: Just to finish, and I appreciate your efforts and I appreciate your monitoring. I would hope that you would look at this after-school program and perhaps get back to us, once it's been monitored, to see whether you agree or disagree with the criticism that I directed towards the Board of Education and the Superintendent at the Newark schools.

DEPUTY COMMISSIONER PFENNIG: We certainly will.

Thank you.

ASSEMBLYMAN PENNACCHIO: Thank you.

ASSEMBLYMAN GUSCIORA: Assemblyman.

ASSEMBLYMAN GREGG: Thank you. Thank you for being here.

DEPUTY COMMISSIONER PFENNIG: Good morning.

ASSEMBLYMAN GREGG: I just want to do a Title I funding question really fast. My numbers show me that under Title I funding in the President's budget that New Jersey would receive \$7 million more, and that would bring Title I funds to 29 percent higher than it was when the President took office. So I see that as an increase. And if you can't respond to that now, it's okay. I understand the mountains of paperwork I have had to go through for this meeting. But for the record and the Committee, that's what I showed, and that's what I believe is in the budget.

DEPUTY COMMISSIONER PFENNIG: I believe we did say that the Title I funds did increase. I don't have the calculations for the percentage, if that's--

ASSEMBLYMAN GREGG: I'm sorry. I thought you just stated, in responding to either Assemblyman Payne or Pennacchio, the Title I funds were decreased. We don't have recorders here.

DEPUTY COMMISSIONER PFENNIG: No. We said the Federal budget decreased, and we've lost approximately \$8.8 million this year, coupled with a reduction last year of \$7.6 million.

ASSEMBLYMAN GREGG: In totality, in totality?

DEPUTY COMMISSIONER PFENNIG: In totality.

ASSEMBLYMAN GREGG: Okay. Then our numbers match. I thought I heard referencing to Title I funding.

DEPUTY COMMISSIONER PFENNIG: Okay.

ASSEMBLYMAN GREGG: I don't need any more response on that. Thank you.

DEPUTY COMMISSIONER PFENNIG: Thank you.

ASSEMBLYMAN GREGG: As far as-- And I travel the state a lot talking about education. I was in front of the school boards over the weekend. The issues that are normally brought up are -- two hot issues are No Child Left Behind and S-1710. With those, how much of the State's expenditure on education comes from the Federal Government? And I don't necessarily need a dollar, just give us a view of percentage against how much we spend. This one I'm not going to hold you accountable to -- so, I mean I'm not going to come back and say \$5, \$10 -- but total. Now, I'm talking about all property taxes that are levied for education funds. I'm talking about all State aid. I'm talking about the exact full amount of money, not just how much of the State budget is it.

DEPUTY COMMISSIONER PFENNIG: A little less than 15 percent.

ASSEMBLYMAN GREGG: So you're saying that -- and what is the total amount of money that the Federal Government gives us? What's the total budget, in this budget, for example -- the dollars? Because, correct if I'm wrong, we're spending -- I don't know -- \$20 billion a year educating kids here?

DEPUTY COMMISSIONER PFENNIG: Are you talking about the State budget?

ASSEMBLYMAN GREGG: No. I'm talking about the total-- The budget for the Federal Government, the one you were talking about today, how much money are they giving us?

DEPUTY COMMISSIONER PFENNIG: The projection is -- what's that -- 34.

ASSEMBLYMAN GREGG: Round numbers.

MS. VETTI: Yes. Thirty-four.

DEPUTY COMMISSIONER PFENNIG: It's 812 million, approximately, right.

ASSEMBLYMAN GREGG: Eight hundred million?

DEPUTY COMMISSIONER PFENNIG: Eight hundred and 12 million.

ASSEMBLYMAN GREGG: Okay, \$800 million. So \$800 million versus \$20 million.

DEPUTY COMMISSIONER PFENNIG: Federal budget?

ASSEMBLYMAN GREGG: No. Versus us. How much money do we spend on education? How much are we allocating in the budget this year from the State side? Just State income tax alone is \$8 billion, give or take, so I mean--

DEPUTY COMMISSIONER PFENNIG: I think a rough estimate is 8 billion, somewhere in there.

ASSEMBLYMAN GREGG: That's just the State. Now add in what the property tax levy is to fund it, it's got to be another 10 billion, or more. Maybe -- I was told the other day, and testified in front of the school boards, it was 18 billion. You were with me, Linda, I think, right, right?

ASSEMBLYWOMAN GREENSTEIN: Yep.

ASSEMBLYMAN GREGG: Eighteen billion in property taxes. So the point I'm making is not to give us a headache on numbers, but to show that the Federal contribution to what we spend on education in the State of New Jersey is a very small, insignificant amount. Never insignificant--

ASSEMBLYMAN PAYNE: It's not insignificant.

ASSEMBLYMAN GREGG: Eight hundred million is never insignificant, but fairly small. And we're talking today about a little percentage of that. In other words, we're off a few million dollars, give or take, and I'm not saying that we shouldn't fight for every dollar we should get. My question is, is when we go to our school districts and tell them -- remember what we talked about. We talked about No Child Left Behind, and this budget clearly increases dollars for No Child Left Behind. No one is arguing that, right? You're not shaking your heads fast enough. No one's arguing this budget specifically allocates more money to No Child Left Behind to the State of New Jersey. Is anybody arguing that?

DEPUTY COMMISSIONER PFENNIG: It does not allocate any dollars to New Jersey for the activities of No Child Left Behind. Only slightly increased, right.

ASSEMBLYMAN GREGG: Dollars. I mean, we can debate semantics forever. The bottom line is it's--

DEPUTY COMMISSIONER PFENNIG: Do you want to talk about activities?

ASSEMBLYMAN GREGG: Well, I'm talking about money. Nine hundred and seventy-six million dollars, 4 percent increase over 2005 for No Child Left Behind programs. That's what I show. Do you show something different?

DEPUTY COMMISSIONER PFENNIG: No.

MS. DEKONINCK: No. Dollars, no.

ASSEMBLYMAN GREGG: Good. Okay. That's all I'm trying to-- So we have more money for No Child Left Behind. We haven't disputed it. Now let's talk about what we're doing as a State to contribute to education of our kids. We are, at best, flat funding. And we've heard people talk today about flat funding in homeland security is less, flat funding in transportation is less, flat funding in our health-care issues is less. Do you think that the budget in the State of New Jersey is giving enough money for education in this budget, Governor Codey's budget, the flat-funding budget, the less-dollars-per-students, to the mass majority of districts?

ASSEMBLYMAN GUSCIORA: Well, I think the purpose of this hearing is to find out what the Feds are giving us, not what the State is giving us. So I'd rather stick to the topic.

ASSEMBLYMAN GREGG: We've opened the door up to talk to Abbott districts. Mr. Chairman, you've opened the door so wide I could get a 747 into it.

ASSEMBLYMAN GUSCIORA: All right. We're going to talk about the Federal budget, period.

ASSEMBLYMAN GREGG: I didn't bring that up.

ASSEMBLYMAN GUSCIORA: And your brethren over there brought up Abbott schools. And that's fine, and there's great latitude. But there's only so much time that we have in the day, and I'd rather stick to what the Federal Government is giving us or given us. The fact remains is, the Federal Government is putting all these mandates on No Child Left Behind, but isn't giving us enough money to implement it. And this is the Legislature, and I remember when you guys were in the Majority, the whole theme was

State Mandate-State Pay. Now all of a sudden, to your side, it's irrelevant. So there's got to be a certain amount of hypocrisy that, if the Federal Government is mandating programs -- and I agree with the State Mandate-State Pay -- that if the State mandates it, the State should pay. Well, the same argument should hold true for the Federal Government. The bottom line is, No Child Left Behind is a Federal mandate. The Federal Government then should fulfil its obligation and pay for that mandate.

ASSEMBLYMAN GREGG: And I see an increase in the budget. We're sitting here in the State House of New Jersey, on West State Street, having hearings on the Federal Government, which is absolutely absurd. Because we've got 15 people who make those decisions; 13 congressmen on both sides of the aisle, and two senators on one side of the aisle, and that's where the debates going to be.

ASSEMBLYMAN GUSCIORA: That's fine if you have an absurd-- But the bottom line is that the Federal Government does impact on us, and I think it helps us to be better members to find out what they're doing. And I'm not having any criticism of our congressional delegation. On a bipartisan basis, it's great. And the Republicans in our delegation are doing a great job. It's the other guys down there in the Majority -- the ones who fired Assemblyman Frelinghuysen from his cardinal position. He was a subcommittee chairman; now he's not a subcommittee chairman. Congressman Smith was the chairman of a veterans committee. He's no longer a chairman. So I'm not complaining about the good Republicans here, or the good Republicans in our delegation, but by and large, it made -- and I'm not faulting them for the shortfall, but I think it makes us better members to find

out what the Federal Government is and is not providing for us. And specifically, because we had such a debate 10 years ago about State Mandate-State Pay, where -- we should repeat that study of whether the Federal Government is mandating programs here and whether the Federal Government is fully paying for those programs it mandates.

ASSEMBLYMAN GREGG: Number one, the Congress has not passed this Federal Mandate-Federal Pay. That would be a good thing, but they haven't done that yet. But more importantly -- and thank you for this indulgence -- that I think our time would be far better spent having this hearing on repealing 1710, and doing things that can actually be very, very effective towards producing better education and better relationships between the State and the localities. Because that was a mandate that was imposed on our local levels that is having dramatic effects. And if we're going to talk about a few million dollars from the Federal Government, we should certainly talk about a few billion dollars that are on our side.

And you've been very generous in your time, and it's always fun to go back and forth with you, but we have a long day and more things to discuss.

ASSEMBLYMAN GUSCIORA: Any other further questions? (no response)

Thank you, Commissioner.

DEPUTY COMMISSIONER PFENNIG: Thank you very much.

MS. DEKONINCK: Thank you.

MS. VETTI: Thank you.

ASSEMBLYMAN GUSCIORA: Judy, if you could come up, and that will conclude our Federal portion, and then we're going to go on to that resolution afterwards.

Judy is the Governmental Relations Director for New Jersey Council on County Vocational-Technical Schools.

Welcome.

JUDY SAVAGE: Thank you. Thank you very much, Mr. Chairman and members of the Committee.

I don't want to take a lot of your time, but I do just want to add a little bit to the information that the Deputy Commissioner gave you about the impact of the elimination of Perkins funds on the county vocational schools in each of the 21 counties, that would effect every county in New Jersey. And really, this would be devastating for our programs.

All together the county vocational-technical schools receive about \$6.8 million in Perkins aid for secondary and post-secondary education programs. And this money is directed to three primary purposes: to purchase and upgrade technology and equipment, to train teachers so that they stay current with what's happening in the world of industry, and to develop new programs that respond to changing and emerging industry needs.

As was mentioned, State education aid to school districts has essentially been flat for the past four years. Our school districts just received State aid notices for next year. The numbers are flat, and this aid is basically based on the enrollment that they had in 2001.

The Perkins money is really the only source of money that we have to create a new program, to address a need that's emerging in a particular

county. And it's really the only source of funding that we have to upgrade technology and equipment, which is an absolutely integral part of training people for the jobs of today and tomorrow.

The Perkins funds have enabled the county vocational-technical schools to move themselves really to the cutting edge of public education in New Jersey. Many of our schools are recognized as innovators in the field of education, and the students have a strong record, not only of success in the job world, but also of academic success. The county vocational schools have developed career academies that are rigorous, academic programs built around a career theme. More and more of our schools are going from the old shared-time model of vocational education to full-time programs where academics are integrated into all of the occupational programs.

You probably would be surprised to learn, but on a recent school report card, five of the eight top districts, in terms of SATs, are county vocational schools. The graduation rates are well above the State average. Many of our schools graduate 100 percent of the freshman that entered four years earlier. The programs are also really important for at-risk students. For many students who are not that strong academically, the opportunity for career-focused, hands-on learning is what keeps them coming to school. That's the reason to get up in the morning and go to school, to persist when things get tough, to graduate. And they graduate not only with a strong academic background, but also with the skills to get a well-paying job.

Without the Perkins aid to support technology and equipment, our programs are not going to be able to keep abreast of industry advances. Think about the kind of computers that we were using four years ago. If we're

trying to train students for computer networking jobs, computer repair jobs, office automation services jobs on the computers that are four- and five-years-old, that training is going to be useless when they get out to the workplace. Think about your car -- a five- or six-year-old car. If we're training students for auto technology on outdated equipment, they're not going to be able to pass the industry exams that are part of their programs, and that's what gets them the job when they graduate. So keeping current is absolutely essential.

The President's proposal to divert this money, which is proven and has a record of success, to broad high school reforms just doesn't make sense. It just doesn't make sense to say that we're going to reform all high schools at the expense of this small group of high schools that have proven their success. It would really be a giant step backwards. So I realize that this is not necessarily your Committee's problem, but anything that the Committee can do on a bipartisan basis to work with our -- not only our Congressional delegation, but also the leadership in Washington that's going to be making these budget decisions -- it will really help the children in New Jersey.

Thank you.

ASSEMBLYMAN GUSCIORA: Thank you.

Are there any member's questions? (no response)

Thank you, Judy.

MS. SAVAGE: Thank you for the opportunity.

ASSEMBLYMAN GUSCIORA: I'd like to bring up AR-245 for Committee business.

Assemblywoman, do you want to--

I might add, as one housekeeping, that the Department of Transportation was unable to meet, to be here. Their representative had a conflict. Notwithstanding that, they had submitted testimony that we'll distribute and put into the record.

Assemblywoman.

ASSEMBLYWOMAN GREENSTEIN: Thank you, Mr. Chairman.

We're going to be talking now about this resolution of Assemblyman Panter and myself, and I believe others are cosponsoring it, which asks Congress to reject the Social Security Privatization proposals of President Bush's Social Security Commission. That Commission would create private accounts, require deep cuts in guaranteed Social Security benefits, and lead to, we feel, excessive Federal borrowing.

I feel very strongly, as a sponsor of this bill, that Social Security is the nation's safety net. I heard a very interesting terminology used recently that the Social Security system is really a covenant between the generations. And I think that's a very good way of expressing it. That it's an agreement that the generations take care of each other. It's been very effective. It was never intended to be a major retirement plan with all kinds of investment. It was meant to be just what it is, a safety net. It's depended on. It's been effective. It's probably been one of the most successful programs in American history. And it has kept many Americans out of poverty.

We only need to look back at what the situation was prior to Social Security to see what we'd be getting ourselves into. We certainly don't want to depend on Wall Street stockbrokers to run this plan. It was created

for the ordinary person. People are clamoring to keep this program. Certainly, it needs work. Every so many years, it needs to be tweaked. Sometimes a little bit more than tweaked, and we may be at that point now. I don't think we're at the point of crisis that some are describing. I think that could happen many years down the road, but I don't think we're there yet. We should definitely take a look at it. We should make some changes. There are a lot of proposals out there. But the complete privatization of the system, in my opinion, is not the right way to go. We don't want to depend on stocks and bonds to be behind this system.

The other things is that those people who are least comfortable with investing are the ones who would be most affected if the system goes bankrupt. The average person would not be able to make these kinds of investments. They wouldn't have a clue as to how to begin.

So those are the reasons that I think we should not look into complete privatization of the program. We should look for some fixes, but certainly not making that sort of an extreme change.

Thank you.

(Assemblyman Payne takes over as Chair)

ASSEMBLYMAN PAYNE: Thank you very much, Assemblywoman Greenstein.

A number of people have indicated their support for this resolution, and we're not going to ask for -- there's no opposition. We're not going to ask for any testimony at this time.

I see Laurel Brennan is here, was here. She's in favor of it.

We're going to move the substitute resolution on this.

ASSEMBLYMAN GREGG: Are we taking testimony?

ASSEMBLYMAN PAYNE: We're not taking testimony. No, we're not.

ASSEMBLYMAN GREGG: Well, then, I'd like to make a statement, if I could, Mr. Chairman.

ASSEMBLYMAN PAYNE: All right.

Let me just indicate that Mildred Fruhling was here -- in favor of this.

ASSEMBLYMAN GREGG: There are people out here, apparently, who think they're testifying.

ASSEMBLYMAN PAYNE: Staci Berger.

ASSEMBLYMAN GREGG: These two folks right in the front here. There are people who want to testify.

ASSEMBLYMAN PAYNE: Lowell Arye and --

ASSEMBLYMAN GREGG: This is a public hearing. You're not going to take testimony? You told these people that they could come testify.

ASSEMBLYMAN PAYNE: Marilyn Askin, in favor.

ASSEMBLYMAN GREGG: I've never heard of that in the history of my 12 years here.

ASSEMBLYMAN PAYNE: Well, if you think back a little bit, that has happened from time to time.

ASSEMBLYMAN GREGG: Could you name one?

ASSEMBLYMAN PAYNE: However, I have no -- the sponsor of this--

ASSEMBLYMAN GREGG: So you're not going to take any testimony?

ASSEMBLYMAN PAYNE: Hold on, one second, Mr. Assemblyman. Hold on one second, please.

You make a good point, and there are people who have come and would like to testify. And although we have -- are constrained with time, I think that you're right. This is advertised as a public hearing, and therefore, I believe that we should be able to have--

Let me confer with my Chairman, if you don't mind?

ASSEMBLYMAN GREGG: Take your time. I'm not rushed for time.

(Chairman Gusciora returns)

ASSEMBLYMAN GUSCIORA: Yes, we'd like to have them. We're on open process, and we'll have them. Did I miss something between you two?

ASSEMBLYMAN PAYNE: No, no.

ASSEMBLYMAN GREGG: We were not going to have testimony. Mr. Chairman, just a--

ASSEMBLYMAN GUSCIORA: That's very important. Will there be smoking there? (laughter)

ASSEMBLYMAN PAYNE: We have to move the substitute. We didn't move the substitute.

ASSEMBLYMAN GUSCIORA: Okay, but don't we have-- We have John here, and who else is here? There's somebody from Washington, I

suspect. Oh, John is here, my good friend. John Tomicki, from the League of American Families.

JOHN T. TOMICKI: Good morning, Mr. Chairman. No, it's good afternoon. And I will be brief, because I'm on the witness list next door on the constitutional convention. It's nice to see that we have both NJN cameras down here.

Speaking as the Executive Director of League of American Families, in opposition to your resolution. First of all, your resolution says, in one of the whereases, it says that the Social Security progressive program currently operates with a surplus. I think you can remember our last couple of years, we hear constant discussions about, well, we have a lock box, and the money isn't there, and we're borrowing it from other places. So I think that's an inaccurate statement. Also to, in effect, go into one of the other whereases -- I don't want to make this, in a sense, political. There are some people that I've dealt with at the -- in the United States Senate, and discussing it with some of our members that are down there, they say, well, it sounds like a little bit of a political statement's being done. And I said, well, let's put that aside. But when I see the President's name mentioned, that he cannot guarantee -- that his proposal can't guarantee.

Right now, there's no legislation on the floor. Everything is on the table from all sides. This is clear. One -- as I used to argue with my dad who was a CPA -- it's actuarially unsound. It's going to eventually have a problem sooner or later. You thought it would happen sooner, we see it's coming around the corner. As far as the guaranteed benefits, it is correct. The

arguments -- I used to have debates with Former Congressman Rocco-- There was to be covenant and a contract, but there had to be a change.

And not so many years back -- I was going back 14 years ago, started arguing with her on Social Security. The reason that we oppose it, because for the younger people, they're not going to get the return. That's statistically and actuarially known.

African-Americans -- I serve as a deacon in an African-American church. And I only say that, but I hate to say, because we're all Americans. I take my Bible seriously. We're all descendants of Adam and Eve, so we're all brothers and sisters together.

And Mr. Chairman, you know that I live that, and you know I feel that, and I know you understand we both feel that together. So that when I know that the younger person is not going to get the rate of return, when I know that people who did opt out of the program years ago are getting a higher rate of return-- Sure it's supposed to be a safety net. You're not going to be (indiscernible). But to say that we're going to take a position, as a resolution, even though it isn't the State of New Jersey -- but I think it sets us on a dangerous slope, that we're going to say we're opposed to privatizing, when we don't know fully what's in the legislation. We don't know what's, really, what's going to be on the table. We don't know the negotiations going on--

Privatizing will come, because the younger people know they're not going to get the same rate of return. Now, I can say that, both as, obviously, a senior citizen-- I'm now going to disagree with my people from next door, on the AARP, on how they support certain things. And I'm one member that does not support the same thing. I understand the discussion.

I would ask you to table it until you actually have a bill. Then, if you want to go and have a resolution, the Federal Relations Committee, and say, "Yes, we like this bill. We don't like the bill. We want the changes." But let the Congress begin to do their work, because it is financially in trouble.

You can debate. The Congressional Budget Office keeps its date of when it is going to go belly-up. It's going to go belly-up. We have to protect the younger people, give them an opportunity. We have to make sure the Governor keeps his guarantee to the senior citizen, and we have to help those members of our society -- like the African-American male, who will die at an average age of 56, who is not going to see the return. I don't want his money. I don't want his family's money. I want to see changes on the Federal law, which we're working on, that that family will get at least what he put in for the benefit of his family. So I would urge you to seriously reconsider.

I understand maybe your intentions, but I think it would be wise to hold. And I hope that Assemblywoman Greenstein, as much as I love and respect you, I am not a special interest. Before 12:00 noon--

ASSEMBLYWOMAN GREENSTEIN: I didn't say who was.

MR. TOMICKI: And I am the special interest, because I remember the line from Dr. Zhivago, when the father-in-law said, after he was being pushed around by the Communist Government, "I'm one of the people." We're all together, Assemblywoman Greenstein. So your reference to special interests was a little disheartening. But I love you anyway.

Thank you.

ASSEMBLYMAN GUSCIORA: You will always remain our special interest friend. (laughter) Special friend.

ASSEMBLYMAN GUSCIORA: To accommodate our colleague, Assemblyman Pennacchio would like to make his statement now. And then we'll get back into the testimony. But if we could accommodate Assemblyman Pennacchio at this moment.

ASSEMBLYMAN PENNACCHIO: Thank you, Mr. Chairman. I have my own Committee meeting very, very shortly, and I appreciate your indulgence. Just to quote the President of the United States, whom I take a lot of direction from and always have, "The fiscal crisis in Social Security affects every generation. If you don't do anything, one of two things will happen: Either it will go broke, or you won't ever get it; or if we wait too long to fix it, the burden on society of taking care of our generation's Social Security obligations will lower your income and lower your ability to take care of your children."

Mr. Chairman, these words were by the President of the United States. Not George W. Bush, but Bill Clinton. Not yesterday, but years ago in the 1990s. There is an issue about Social Security. We are elected not to put our problems off, not to give them to future generations. But if we can, to take care of them now.

Quite frankly, I agree with the last speaker. I would hope that we wait to see what's on the table before we vote on resolutions -- whether we oppose or support it, or whether we would tweak it out and want to make it better, things that we want to add and subtract. I would love to see us putting maybe more of an effort into things that we can take care of as a legislative body, pertaining to some of the State problems that we have. So for that

reason, if we take a vote on that, I will be abstaining until I see exactly what the President's putting out.

Thank you and the Committee for your indulgence.

ASSEMBLYMAN GUSCIORA: Thank you, Assemblyman Pennacchio.

Okay. We have one live body, but I just wanted to go through people who signed up to testify, but are not:

Mildred Fruhling, who is a Social Security recipient, is in favor of AR-245.

Staci Berger of the New Jersey Citizen Action is in favor of AR-245.

Lowell Arye, Alliance for the Betterment of Citizens with Disabilities, is in favor of AR-245.

Marilyn Askin of AARP of New Jersey, to testify in favor of AR-245.

And Laurel Brennan, with the New Jersey AFL-CIO, in favor of AR-245.

With that, our last but not least testifier, Kevin Callaghan, from the New Jersey College Republicans, is opposed to AR-245.

Welcome.

KEVIN CALLAGHAN: Thank you.

ASSEMBLYMAN GUSCIORA: Can you state your college affiliation?

MR. CALLAGHAN: I go to St. Peters College, in Jersey City.

ASSEMBLYMAN GUSCIORA: Thank you.

MR. CALLAGHAN: I would like to thank everyone for giving me the opportunity to speak. It's obviously an honor for a college student to be able to speak in front of an Assembly Committee.

Let me begin by making a general statement on the proceedings at hand. I think that at a time of skyrocketing property taxes, rampant corruption, and bankruptcy that this Committee's minority (*sic*) party's actions should not only be viewed as a diversion--

ASSEMBLYMAN GUSCIORA: Your mike -- if you could press that button, if it's red? (referring to PA microphone)

Oh, I'm sorry.

MR. CALLAGHAN: Okay.

At a time of skyrocketing property taxes, rampant corruption, and bankruptcy, this Committee's majority party actions should not be viewed merely as a diversion, but in regard to national fiscal policy, the pot calling the kettle black. At a time that calls for civility and discussion, partisan and political one-upmanship is on display here, and it's not a very good example for a college student, like myself.

But to the matter at hand. It is not a question of whether or not Social Security is in crisis, but when. I'd be happy to argue the exact date with you, as you attempt to in your resolution, but I feel that that argument would be futile. It is also important to note, as Assemblyman Pennacchio noted, that the plan for personal accounts was first brought to light by President Bill Clinton and worked towards with his Chief of Staff Erskine Bowles, as was noted by Sam Beard in the March 4th edition of the *Star-Ledger*.

My message is simple. Every day that you oppose this plan and try to keep it from being enacted, is a day that you will be putting retirement security for myself and my generation in danger. Every day that you work to stop reform will mean money out of the pockets of my hardworking generation, that could well never be recovered. This resolution is the equivalent to saying a Band-Aid, or maybe nothing at all, will be enough to cover a major gash in the safety net you're so fond of talking about.

Finally, let me speak of the independence, the confidence, and the ability of people of my generation and future generations to make decisions over their own lives. Beneath this resolution is a thinly veiled statement to your beliefs on the average citizen, I believe. By completely opposing personal decision-making and retirement security, you are saying that people cannot be trusted to plan for themselves. That they're not capable of doing anything outside of the government's watchful eye. This is especially devastating to younger generations of Americans, hopefully looking to ownership and self-sufficiency in their lives.

At the heart of this is your distrust of the average citizen achieving economic independence. And more importantly, once they are independent of politicians, what that might mean for you at the polls.

I will sum up with this point. Politicians, led by the majority party in this House, have plunged this State into horrible debt. Give me the choice between a politician's promise and the stock market, and I'll take the stock market any day.

Thank you.

ASSEMBLYMAN GUSCIORA: Thank you.

Members have any statements they would like?

Assemblyman Gregg.

ASSEMBLYMAN GREGG: Thank you, Mr. Chairman.

It's been a long day, but fun. I come today to have a real problem with this resolution. I think we are, as stated before, we're way ahead of ourselves here. We know that we have a problem with Social Security. It is a nondebatable issue, and it's interesting. A decade ago, we didn't have a problem, we did have a problem, and today we don't have a problem.

Senator Byron Dorgan, in 1999, "Fixing Social Security is an urgent priority. It ought to be at the top of both parties agenda."

Senator Harry Reid, the Minority Leader of the Senate today, "Most of us have no problem with taking a small amount of Social Security proceeds and putting it into the private sector." That's February of 1999.

Senator Barbara Mikulski, Democrat from Maryland, "Congress cannot afford to miss this opportunity to respond to seniors and their families. We must save Social Security, strengthen and protect Medicare, and address America's long-term care crisis." February, year 2000.

As aforementioned, Former President Clinton, "Investing will earn a higher return and keep Social Security sound for 50 years." January of 1999.

Senator Kent Conrad, Democrat from North Dakota. "I was at a Social Security summit at the White House, along with 40 of my colleagues, Republicans and Democrats, and there was a virtual unanimity of opinion that we simply have to get a higher return from the Social Security investments."

I could go on and on and on. Ten years ago we had a crisis. Well, we know we still have a crisis. There is absolutely no question about it.

In 1935, Democrat President Franklin Delano Roosevelt proposed that a government-run retirement system should include voluntary, contributory annuities by which individual initiative can increase the annual amounts received in old age. That's FDR, folks. That's the person that we hail to as being the person who started Social Security, who way back then had the vision that the program as it is today will fail. Because back then, we had a lot of people paying in for a few amount of people, and now we have a few amount of people paying in for a lot of recipients. That's the demographics we have to live with.

What is the solution? I'm not sure. I think that's what the President is saying. He's not sure, but he's not going to sit there and put it off and put in on the back burner, as they did 10 years ago, and as a Congress did 10 years ago. He's saying he's not afraid to look at the third rail of politics, because he cares deeply about these young folks. That some day they are going to retire. And is the only thing they're going to have is 401Ks and IRAs, because what the Federal Government had guaranteed to them is no longer there? Can that happen?

We have pension programs, private pension programs, today, going bankrupt that are run by companies and, apparently and certainly, controlled by the Federal Government. When they go bankrupt, they're gone. They're gone because they're defined benefit programs. But here's a president who says, "Let's look at maybe having a small amount of money that we take out of your paycheck, have you have some control over." How much that should be is still up there for discussion. Exactly where it will be invested, it's still up for discussion. How you'll have access to it, it's still up for discussion.

But we've portrayed this into -- that it's already a bill. There's no bill. This is an honest president coming to his citizens saying, "We have a serious problem, and it's time to start the debate. And my idea is to give you more control."

I believe this issue should be about hope. The other side seems to think the issue should be about fear. I go with hope. I think we have to be a little bold and creative, because this world is different.

Not so long ago individuals were having three children per family. A decade from now, it will be less than two, which even exacerbates the situation worse. So I don't think we should arbitrarily say this is a horrible idea, because the vast majority of people under 35 don't think it's a horrible idea. And it's unfortunate when we sit there and politicize something to say, I might get a gain with a specific group or, as you say, special interest groups. Well, I think the special interest groups are the people who are the recipients of Social Security. And quite frankly, I think they deserve to have options. And this fear mongering we're creating is a horrible situation.

This is not privatizing all of your dollars. It is not so. We are not mandating you into a system. It is not so. And everyone will get the same amount of money if they don't opt into this system. It's providing choice and opportunity for people. Thirty years ago, people would have said IRAs are crazy. Why would you want to do that? You could lose a ton of money in an IRA. 401Ks, 30 years ago, people would think you're nuts investing on your own. Where would you get the ability to do that? What if you lost all your money? Well, that isn't happening. It happens to some folks. But people who put their money into responsible investments are doing fine. And the types of investments that we'd be talking here would be even more restrictive.

But wouldn't it be nice to know that I put into Social Security 12 percent of what I make. I put into Social Security, and I die at 58, never having an opportunity to get it. And now maybe some of that money will come to my wife, some of that money will come to my children, not completely lost, because Social Security is not a retirement program. It's an insurance policy. Shouldn't we be looking at how to reform it, or should we just stick our heads in the sands and say, "No, it's not a problem. Let somebody else deal with it." Well, folks, that's what we end up doing as politicians most of the time. I say we should be much, much more bold, and we shouldn't just shut the door on things. We should allow ideas to be discussed and allow the people to get a full education on the process, and then determine at the end of the day whether it's best for them not to have 120 of us put a silly resolution up saying, "Don't look at this solution, because I'm afraid of it."

Thank you, Mr. Chairman.

ASSEMBLYMAN GUSCIORA: Thank you, Assemblyman Gregg.
Assemblywoman Greenstein.

ASSEMBLYWOMAN GREENSTEIN: Thank you.

I just want to make a brief response to what the Assemblyman said. I think this sentence really says a lot in response -- Social Security was intended to be a safety net, not the nation's retirement plan. Some of the kinds of concepts that you're talking about -- opportunity, hope, whatever -- don't apply to safety nets, as I see them. This is a unique program. There aren't many like it. That would be something I'd apply to a retirement plan. Maybe I want to diversify my options and look at different ways. This had a

certain purpose when it was created. In my opinion, it has the same purpose now. It's a unique program, and it's about the one safety net that we have.

I think we should look -- it definitely needs some work. Every so many years it does. And I think we should look at every option besides privatization, to begin. I doubt I would ever support the idea of privatizing it, because of the safety net concept. And people apparently do have some ideas out there. I don't know whether they've been presented yet. I've heard Senator Corzine say that he has a number of ideas on what can be done here to fix the system and make it better. I would much rather have us take a look at the ideas that are out there that do not involve privatization. Because I have a feeling that privatization and safety net just don't go together. So, I think, for me, I would just want to see what's out there and what will be out there that will not involve privatization at this point.

ASSEMBLYMAN GUSCIORA: Thank you, Assemblywoman.

I'll take the Chairman's prerogative to end with-- I think, Guy, Assemblyman Gregg, one thing I agree with him with his statement, people who put money into responsible investments are doing fine. And I think that's important. And I also agree that Social Security is in trouble. I don't think anyone disagrees with that. But if anyone who thinks that privatization is a panacea, I have Enron stock to sell them. If anyone thinks that private companies do better than public government and don't gouge taxpayers, I have Halliburton, who still owes us some meals in Iraq. You can talk about Parsons. You can talk about E-ZPass -- all privatization schemes that were absolutely disastrous for the taxpayers of the State of New Jersey.

So I think this is a good resolution. It cautions Congress and the Federal Government against privatization proposals. I don't think that that necessarily addresses whether Social Security is in trouble, and I think this is a responsible statement to make.

And with that, is there someone to move the bill?

ASSEMBLYMAN PAYNE: I'll move it, Mr. Chairman.

ASSEMBLYMAN GUSCIORA: And we also have a substitute. Would you move the substitution?

ASSEMBLYWOMAN GREENSTEIN: So moved.

ASSEMBLYMAN GUSCIORA: Second?

ASSEMBLYMAN PAYNE: Second.

MS. BRENNAN: Okay. On the Assembly Committee Substitute for Assembly Resolution No. 245, Assemblyman Gusciora?

ASSEMBLYMAN GUSCIORA: Yes.

MS. BRENNAN: Assemblywoman Greenstein?

ASSEMBLYWOMAN GREENSTEIN: Yes.

MS. BRENNAN: Assemblyman Payne.

ASSEMBLYMAN PAYNE: Yes.

MS. BRENNAN: Assemblywoman Previte.

ASSEMBLYWOMAN PREVITE: Yes.

MS. BRENNAN: Assemblyman Gregg.

ASSEMBLYMAN GREGG: No.

MS. BRENNAN: And Assemblyman Pennacchio abstained.

ASSEMBLYMAN GUSCIORA: Thank you.

The resolution passes. That concludes our hearing.

Thank you very much.

Assemblyman Gregg has a very important announcement.

ASSEMBLYMAN GREGG: Yes. Thank you, Chairman.

Today is the New Jersey Restaurant Association Women in Food Service Day. Normally, they do it on a session day. You've probably seen them give resolutions. They have a number of women, with their members and directors, right now, at the War Memorial, as they're doing their board meeting. I don't know how your schedule works -- they're having a reception after that. It's probably going to happen around 2:00 or so. If you're not going to be around 2:00 -- that's in their offices across the street from the State House. They'll have a little reception, and the women will be there. They may be from your district.

ASSEMBLYMAN GUSCIORA: Just the address number? I know it's like diagonally to the right.

ASSEMBLYMAN GREGG: It's the green building, about 1:00, when you walk out the door. But if you're going to leave early and you have a few minutes to walk over to the War Memorial, they have their board meeting, and there's a lot of women over there, as well. So I'm sure they'd be happy-- They apologized for not notifying you ahead of time, but they didn't know we'd all be here today. So thank you very much.

Mr. Chairman, I appreciate that.

ASSEMBLYMAN GUSCIORA: Thank you.

We have to release the substitute. We have one more vote to go.

ASSEMBLYWOMAN PREVITE: Move to release.

ASSEMBLYMAN GUSCIORA: Second?

ASSEMBLYWOMAN GREENSTEIN: Second.

MS. BRENNAN: Assemblyman Gusciora?

ASSEMBLYMAN GUSCIORA: Yes.

MS. BRENNAN: Okay.

Assemblywoman Greenstein?

ASSEMBLYWOMAN GREENSTEIN: Yes.

MS. BRENNAN: Assemblyman Payne?

ASSEMBLYMAN PAYNE: Yes.

MS. BRENNAN: Assemblywoman Previte?

ASSEMBLYWOMAN PREVITE: Yes.

MS. BRENNAN: Assemblyman Gregg?

ASSEMBLYMAN GREGG: No.

ASSEMBLYMAN GUSCIORA: And then Pennacchio abstained.

MS. BRENNAN: Yes.

Thank you.

ASSEMBLYMAN GUSCIORA: Thank you.

(MEETING CONCLUDED)