Commission Meeting

of

NEW JERSEY COMMISSION
ON CAPITAL BUDGETING AND PLANNING

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

DATE: October 8, 2004
10:00 a.m.

MEMBERS OF COMMISSION PRESENT:
B. Carol Molnar, Chair
Robert A. Roth, Vice Chair
Assemblyman Joseph Cryan
Anthony F. Annese
Patrick Brannigan
Gary Brune

ALSO PRESENT:
David Rousseau
(Representing John E. McCormac)
George LeBlanc
(Representing Senator Wayne R. Bryant)
Rosemary Pramuk
(Representing Senator Robert E. Littell)
Beth Schermerhorn
(Representing Assemblyman Guy R. Gregg)
Douglas Placa
(Representing Kevin P. McCabe)

Michael Lihvarcik, Acting Executive Director
New Jersey Commission on Capital Budgeting and Planning

Meeting Recorded and Transcribed by
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Michael Lihvarcik, Acting Executive Director
New Jersey Commission on Capital Budgeting and Planning

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B. CAROL MOLNAR (Chair): I'd like to call the meeting to order.

In accordance with the Open Public Meeting Law, the Commission has provided adequate public notice of this meeting by giving written notice of time, date, and location. The notice of the meeting has been filed at least 48 hours in advance by mail and/or fax to the Trenton *Times*, the *Star-Ledger*, and filed with the Office of the Secretary of State.

We'll now take a roll call.

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

Senator Bryant. (no response)

Assemblyman Cryan.

ASSEMBLYMAN CRYAN: Here.

MR. LIHVARCIK: Ms. Schermerhorn, for Assemblyman Gregg.

MS. SCHERMERHORN: Here.

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

DEPUTY TREASURER ROUSSEAU: Here.

MR. LIHVARCIK: Mr. Placa, for Mr. McCabe.

MR. PLACA: Here.

MR. LIHVARCIK: I'm sorry, Mr. LeBlanc, for Senator Bryant.

MR. LeBLANC: Here.

MR. LIHVARCIK: I apologize.

MR. LeBLANC: It's okay.

MR. LIHVARCIK: Mr. Brune.

MR. BRUNE: Here.

MR. LIHVARCIK: Mr. Brannigan.

MR. BRANNIGAN: Here.

MR. LIHVARCIK: Mr. Roth.

MR. ROTH: Here.

MR. LIHVARCIK: Mr. Annese.

MR. ANNESE: Here.

MR. LIHVARCIK: Ms. Molnar.

MS. MOLNAR: Here.

MR. LIHVARCIK: Madam Chair, you have a quorum.

MS. MOLNAR: Thank you.

Our next item is the Executive Director's Report.

MR. LIHVARCIK: Madam Chair, I'll be short and sweet.

In regards to several of the issues that were brought up last week, specifically by Mr. Roth, regarding open space and maintenance, we are diligently working on putting that information together. I'm hoping that we will have the maintenance information by the next meeting. And we are working with the director of the Garden State Preservation Trust to get the open space information as quickly as possible.

The other issues that were brought up by the Commission-- We should have responses to the questions raised during Agriculture and Health by the next meeting, as well. And we will also begin presenting the Commission members with a spread sheet that outlines who is asking for what, and it will compare what that is to last year's request, as well.

That concludes my report.

Thank you, Madam Chair.

MS. MOLNAR: Thank you.

We'll now start our capital request presentations.

I'd like to welcome the Honorable Regena Thomas, Secretary of State.

Good morning.

Could you introduce your staff for the stenographer?

SECRETARY REGENA L. THOMAS: To my right is the Assistant Secretary of State, Kathy Kisko. To my left is the chair of the State Museum Board, Helen Shannon. To her right is the Chair of the department of Archives, as well as the Assistant Director of the department of Archives.

Good morning.

I want to thank this Commission for allowing me the opportunity to come before you today to present the Fiscal Year '06 capital budget.

For FY '06, I am requesting $6.697 million to fund the Department of State's two top capital budgetary priorities. The first is to replace the State Museum's windows and doors as a part of the ongoing renovations. Two -- in the critical next phase -- to satisfactorily modernize and expand the State's records storage capabilities.

Currently, the Museum is undergoing its major infrastructure upgrade -- since the building opened in 1960. The renovations include replacing the heating, ventilating, and air conditioning systems, as well as the installation of new lights and ceilings in the main building, and new seats in the Auditorium. These critical upgrades and improvements serve to ensure the proper preservation of the Museum's priceless collections, as well as provide a new and improved experience for the tens of thousands of people who visit each year.

When the $14.1 million in bonds for this year were sold for this project, it was sufficient to cover the costs based upon the current market rates. However, with New Jersey now having the largest school construction program in the nation, the demand for qualified State contractors has reached an unprecedented level. While this high demand is a reflection of the economic growth of the State, that the State is experiencing, it has caused a shift in the market and presented a new challenge to the Museum's renovation efforts.

With the original budget estimates now having to be revised, several items had to be taken out of the base. One item is the Museum's compact storage unit. Presently, the Department is seeking Federal and private sector grants to offset the costs.

The other is the replacement of the Museum's windows and doors. These critical upgrades directly relate to the need and effectiveness of the overall renovations. The existing windows are the originals that were installed in 1964. They are old, drafty, and inefficient. And because of their odd size, they are expensive to replace. The architects and engineers involved with the renovations have advised that the windows be replaced in order to provide the maximum insulation and effectiveness of the new HVAC system. With the addition of new doors and windows, there will be a significant decrease in energy costs associated with the HVAC system and produce substantial cost savings in the long run. Therefore, I would like to make a request for $1.697 million to cover the cost of replacing the windows and doors, as part of the Museum's ongoing renovations.

The investment of new windows is necessary to maximize the benefits and fully realize the cost efficiencies of this renovation project. It is the right investment to make for the Museum and the people of New Jersey, not just for this fiscal year, but for future generations to come.

Just as completing the Museum's renovations with the installation of new windows is a top capital priority for the Department of State, so is the need to expand the State's record storage management. In its current configuration, the State Records Center was designed and built in the early 1980s, with a capacity sufficient to meet the needs of the State's storage for only approximately 20 years. It has been filled to capacity since the late 1990s.

In FY '01, the Department of State was awarded $232,000 in capital funding to conduct a needs assessment and advisability study to assess the State's need for additional storage capacity, and the advisability of expanding and moderning the current facilities to satisfactorily meet those needs.

The four-volume study proposes renovations and additions to the current storage system in West Trenton, as well as renovations to the current State archives on State Street, providing 260,000 square feet of space for the Division of Archives and Records Management to meet its storage needs through approximately 2021.

As a part of the Department of State's capital budget request for FY '06, I am requesting $5 million to move this project forward to the next step, by selecting an architectural design and engineering firm to work with DARM in preparing a construction request for proposal.

If this critical storage issue is not addressed, New Jersey's government records are at risk, a risk we cannot afford at this time. Four years ago, the State had the foresight to provide funding for the study of the needs for modernization and expanded records storage capabilities. The results are clear and needs cannot be ignored. It is critical that we move forward to make this project happen.

I am proud to lead the Department of State and serve the citizens. I firmly believe these requests before you today are in the best long-term interest for this State.

Thank you for this opportunity.

MS. MOLNAR: Thank you very much.

Any questions or comments from Commission members?

Assemblyman Cryan.

ASSEMBLYMAN CRYAN: Thanks.

Good morning. Thank you, Madam Secretary.

I have some questions in regards to Page 2 -- I want to start there -- on your statement.

If I get the gist of this right, it's -- the $14.1 million doesn't cover it, because school construction is going so well.

SECRETARY THOMAS: The market rate has moved from 6 percent to, currently, 15 to 20 percent. So just that cost assessment-- We had to actually prioritize some of the things that needed to be done. And so in prioritizing the projects, the windows now still need to be done.

ASSEMBLYMAN CRYAN: The market rate of what?

SECRETARY THOMAS: It's at 15 to 20 now.

ASSEMBLYMAN CRYAN: I admit, I don't understand what you mean. Reading the statement, it says qualified State contractors has reached an unprecedented level. And you're talking about market rate.

SECRETARY THOMAS: Literally, on the original loan.

ASSEMBLYMAN CRYAN: On the original loan.

So, really--

Could you-- Go ahead.

HELEN M. SHANNON, Ph.D.: Let me try to answer that question.

There are actually two items that have gone up greatly in cost. One is the market price of steel and plastic. That's a world-wide rise of about 20 percent. And that's had an effect on the cost of the entire project, which involves a lot of steel. It's a replacement of our HVAC system, so it's a lot of duct work, replacement of ceilings and lights. So that's the 15 to 20 percent increase in materials cost.

And then there's also an increase in the cost of labor because of school construction projects. So it's both those items.

ASSEMBLYMAN CRYAN: And since we took -- going on to the next paragraph. We're looking now for grants for the Museum compact storage unit. Approximately how much does that cost?

DR. SHANNON: We just submitted a grant for about $700,000 for the cost of the compact storage units. We will, in the second phase of our construction project, fit out the room for the compact storage units. But we try to take some items off the budget to try to reduce it. And that was one item.

ASSEMBLYMAN CRYAN: That's exactly what I'm leaning towards.

So there's $700,000 out for that, and then $1.7 million, roughly, for the other request that the Secretary listed here. Is that the overrun -- overrun's not fair, because the steel issue is involving everybody.

DR. SHANNON: Right.

ASSEMBLYMAN CRYAN: Every school district I represent are all talking about this problem. It's a common issue.

DR. SHANNON: Right.

ASSEMBLYMAN CRYAN: Is it $2.4 million? Is that the total problem with the bond issue, at 14.1, or is it higher?

DR. SHANNON: It's actually higher than that. We've been able to fund some parts of the project through other sources. The State Police is paying for the security that we're adding to the building. Some of the ADA compliance issues are being paid for by Treasury. And then the architectural team, itself, has found ways of reducing some costs.

So from the $14.1 million that was originally purchased, in terms of the bonds, the increase was higher than that. And we've been able to work it down to a more reasonable level. But the one item that's more difficult to fund are the windows. I look for grants for windows, and windows are not something you can find grants for. But compact storage is.

ASSEMBLYMAN CRYAN: And you're looking at alternative ways, because of the problem that you have.

The question that any-- I mean, the first thing I saw when I looked at this was, "Where were the windows from last time?" And the reason is, is because of this, that's what you're out? That's the decision that you've made to come in and ask separately for -- because there's no alternative way to finance it.

SECRETARY THOMAS: Right.

ASSEMBLYMAN CRYAN: I have one other question for you.

In the backup stuff -- here, these things in Priority 1. It talks about expensive office space -- that you were denied the option to retain the records. And I was wondering if you could quantify, for me, what the cost of office space is, in record management, that this is referring to.

K A R L J. N I E D E R E R: Well, mine doesn't work. (referring to PA microphone)

Thank you.

Assemblyman, your question concerns the cost of office space?

ASSEMBLYMAN CRYAN: I'll read it to you. It says, "Denied the option, agencies will either continue to retain their records in expensive office space or place them in an environment that will jeopardize their preservation," etc., etc. I was wondering if you could quantify, for me, the expensive office space, as I look for a cost justification to maybe do this.

MR. NIEDERER: Yes, the average cost of State office space is nearly 12 times the amount of centralized record storage space in a warehouse environment.

ASSEMBLYMAN CRYAN: So it would go from what to what?

MR. NIEDERER: Well, the average square footage of -- cost per square foot of record storage space in a centralized environment is a couple of dollars a year. And it's approximately 12 times that amount in an office space.

ASSEMBLYMAN CRYAN: I got that part. Can you tell me how much is-- How many, under this request -- how many feet we will be saving, versus-- We're spending $5 million now for office space retention, and it would diminish to one-twelfth of that -- whatever that number is. Do you know that?

MR. NIEDERER: No, I'm sorry, Assemblyman. I don't have that. We'll look that up.

ASSEMBLYMAN CRYAN: My last question is the capital budget request for '06 -- is to work for the RFP for the architectural. It's on Page 4 of Madam Secretary's statement -- the design and work for an RFP.

Given the problems-- Problems isn't fair, because-- I mean, I know, because my district is going through the steel and labor issue. It's common throughout the state. But given those issues, is it prudent now to do that? When does the-- The school construction issues really go through -- and the bond issue actually ends, I think, in 2011 or 2010. And as far as I know, peak construction is now, between '09, unless I'm mistaken. I know it's that way in my district. Is it reasonable to look forward, or are we going to run into the same issues?

SECRETARY THOMAS: I think we're going to run into the same issues. But I think the problem we're having now is that, particularly with technology and microfilm, and in digital stuff, we just don't have the space to house it in. And so you could actually come into a situation where the destruction of even the documents that you're trying to store-- Because we're over capacity now.

ASSEMBLYMAN CRYAN: Okay.

All right, thank you.

MS. MOLNAR: Any other questions or comments?

Mr. Roth.

MR. ROTH: I wonder if you could tell me to what extent you've replaced paper storage with electronic storage at this point in time.

MR. NIEDERER: Yes, Mr. Roth. The State Division of Archives and Records Management is moving aggressively to encourage all State agencies -- not only in the Executive branch, but throughout the Judiciary and the Legislative branch -- to adopt digital scanning as an alternative means for creating and maintaining records.

However, we discovered in the process of undertaking the advisability study for the expansion of the State Records Center -- looking out approximately 20 years into the future -- that paper storage is going to continue to be one of the important ways that State agencies maintain their records. There is a replacement curve that goes out at least 30 to 40 years into the future before we will begin to see a shrinkage in the percentage of records that are maintained in paper form. The nature of government-- In fact, there is a book called *The Myth of the Paperless Office*, which we study very carefully, looking nationwide at what state governments, and even the national government, are doing with their records. And we find that there actually is an increase in the amount of paper that government agencies are creating and storing, looking out 20 years.

MR. ROTH: What puzzles me is that they're creating these documents on -- in an electronic format through word processors, and spread sheets, and so on, and so forth. And it would be so easy just to keep that electronic copy of it and discard the paper. I mean, the paper is fine if you're having a meeting, and you're passing documents out for people to read. There's no real reason why you would have to save them. I just can't understand why we're talking about saving documents which, I'm sure, there's probably many multiple copies of it in archives. Because if you've got four department heads attending one meeting, they've all got their notes together. Those notes are all going into storage. And you've got four copies of the same document. It just makes more sense, to me, if it's all being created in an electronic form right now, just to keep it in an electronic form and do away with the paper.

MR. NIEDERER: You're absolutely correct. We have, however, a culture, if you will, that is pervasive, not only in the State of New Jersey, but throughout the United States, where paper records are still a medium of -- a preferred medium for retaining what we call a *record copy*. There may be multiple copies in an electronic form. There may be multiple copies in paper form. But under the -- in the culture in which we're operating, and which we expect to be operating for at least the next 20 years, there will be a reliance on paper as a record copy to be stored.

One of the things that we need to keep in mind with electronic is that the cost of maintaining electronic media is significantly higher, over the long haul, than paper. Paper is an immutable medium. It doesn't degrade if it's in storage for 15 or 20 years. However, with electronic media, there's a need for refreshing of that media, of changing software, and so forth. And the costs of maintaining a record copy of records in an electronic form, over the long haul, can be significantly higher than the paper. So it's a balancing act.

MR. ROTH: I'd like to see some facts to back up what you just said. Because my experience -- and I'm in local government -- is that we're saving a great deal of money by storing electronically.

As far as having paper copies available for the public, if you've got it in an electronic format, you can always print it out. And the public is paying $.25 a page or something -- or $.50 a page, whatever the price is -- for those copies. So it's not really costing the municipality or the State government anything. It makes a lot more sense to keep -- file it electronically.

As far as storage costs go, I don't know if you've been to a local computer store lately, but you can buy a 60 gigabyte drive now for about $125. The prices have come down so dramatically in the last five or six years that what you just said, today, would have made sense five or six years ago. But to me, it doesn't make sense, today.

I have no further questions.

MS. MOLNAR: Okay.

Any other questions or comments?

Mr. Brune.

MR. BRUNE: A few questions about the records management. The advisability study-- Through the Chair, can we get a copy of that? I'd like to-- As I ask that, does it speak to the assumptions that were made in sizing the facility?

MR. NIEDERER: Absolutely.

MR. BRUNE: If we can get a copy of that, that would be appreciated.

MR. NIEDERER: Certainly.

MR. BRUNE: The timing of the $50 million construction-- As I understand it, this $5 million would lead, ultimately, to about a $50 million need to construct the building. Is that accurate?

MR. NIEDERER: The estimated cost for construction in 2003, when the advisability study was completed, was $56.5 million. That was the construction part. I think, in 2003, the architects estimated that A and E would be about $4.6 million. We've upped that to $5 million.

MR. BRUNE: So the timing of the construction-- Presuming from when we funded the A and E, when would the construction hit? Would it hit in '07?

MR. NIEDERER: Yes, I believe that's when we would come in.

MR. BRUNE: Okay.

And the current square footage in the facility is what?

MR. NIEDERER: I'm going to invite my Deputy Director, Keith Betten, to answer that.

KEITH W. BETTEN: Currently, 180,000 square feet, I believe, to retain 250,000 cubic feet of records.

MR. BRUNE: Okay. I think I understand this to be a 400,000 -- is it cubic or square foot exchange?

MR. NIEDERER: Cubic foot.

MR. BRUNE: Cubic. So you're coming from 250--

MR. NIEDERER: A cubic foot is a standard record storage box.

MR. BRUNE: Okay.

So we have 250,000 cubic feet today. We would want to add another 400,000.

MR. BETTEN: Correct.

MR. BRUNE: One last question. Is there anything like a cost-benefit study that's been done? Assuming for a minute that-- I think I have this right. There's three possible sources of savings here. There's some private facilities -- maybe Iron Mountain might be the right term -- for storing records for us. There's departments that are storing it on their own site, and there's possibly some staff implications.

Has anybody looked at, from a cost-benefit standpoint, what those savings add up to? It's kind of a follow-up to the previous question about the office space. Has somebody looked at it in one fell swoop and said, "If we put in this type of facility, these three things would generate X amount of potential savings?" Has anybody looked at that?

MR. NIEDERER: The advisability study does contain some cost-benefit analysis that we will share with you. We find that, in looking around State government as we perform the advisability study, that probably twice the amount of the current capacity of the State Records Center, of about 250,000 cubic feet -- almost twice that amount is being stored in either commercial storage or in rented and leased facilities. And the cost of those things, we think, will-- The cost of that type of storage is extremely high. And we believe that we can bring it down significantly.

MR. BRUNE: Would we be moving those records into this facility?

MR. NIEDERER: Yes.

MR. BRUNE: Okay.

MR. NIEDERER: That's the--

MR. BRUNE: So there would be an elimination of leases, correct?

MR. NIEDERER: As much as possible, yes.

One of the issues that we're facing, particularly in the environment of the State since the passage of the Open Public Records Act, is that there is a need for retrieval of -- a more rapid retrieval of government records in order to meet the deadlines that are mandated by the law. And records that are stored in leased facilities, records that are stored in commercial facilities cannot be retrieved as quickly as those which would be in the centralized State-operated facility, like the one--

MR. BRUNE: Is it fair to say -- call it the -- when you have it in a private facility -- the cost, predominately, is the retrieval and not so much the storage -- but the retrieval?

MR. NIEDERER: That is correct. The way that most of -- at least in a commercial-- If we're talking about commercial storage, retrieval is where the money is -- in charging State agencies for--

MR. BRUNE: So I guess, through the Chair, we would like to see, if you could-- I'm a little less interested in what the consultant might have said, but what you think is the savings if we were to do this in those three areas.

And I guess I would put this little bit of editorialization on it. Is it possible that the staff savings we're going to identify in the Department would be offset by additional staff we might need to run the new facility? Is there-- In other words, we wouldn't have a situation where departments are eliminating staff and you'd be adding staff? Or is the thought to move them? What exactly is your--

MR. NIEDERER: Well, there could be some centralization of staff who are dedicated to doing warehouse retrievals and warehouse management out -- spread around in State agencies. But in a centralized facility, it's possible to manage hundreds of thousands of cubic feet of records with a very, very small staff. Our records storage staff in the current facility is comprised of five individuals, who are managing 250,000 cubic feet of records. The problem that you have, if you're using leased or even State-owned warehouse facilities spread around the greater Trenton area, is that each department has to have several staff to manage those facilities.

MR. BRUNE: Okay.

MR. NIEDERER: So we think that that can be -- that even with an increase of 400,000 cubic feet, in terms of paper storage, that relatively few staff would be required to manage that kind of space.

MR. BRUNE: Just one last question. If a department is storing this material on site, not in a private facility-- If they were storing paper on site, is the savings you're alluding to there-- You're assuming that they would shrink the size of their office space rental? I guess I'm asking, is that a really feasible, realistic assumption to make -- that they're going to actually-- If they have a room in a department location, are they really going to shrink back a piece of a floor?

MR. NIEDERER: Yes. We think that that's actually going to happen. Working with the department -- rather, the Division of Property Management and Construction in looking at the existing situation of records storage around the greater Trenton area, and throughout the state, is that many departments are using an inordinate amount of office space for the storage of current records -- their current records, because they don't want to place them in leased storage or in commercial storage. They want to keep the records in a place where they can get at them quickly.

This is also-- This has been driven, partly, by the passage of the Open Public Records Act. And there's probably a factor of nearly 20 percent, on average -- in leased space, at least -- where we believe records are being kept in what we would call office space. And we think that could shrink significantly.

MR. BRUNE: Thank you.

MS. MOLNAR: Mr. Rousseau.

DEPUTY TREASURER ROUSSEAU: Just a couple follow-ups on that last one. Some of the places I've seen, throughout State government, where documents are stored-- All of a sudden you use an office that you used to use as -- a person used to be in it. Now you put boxes in there, and you double up somebody else in an office. I think that the overstatement-- And the Secretary's shaking her head over there, too. I think the overstatement would be that once those boxes are gone, you go back-- Instead of having three people sitting, having -- being cramped into an office, they go back into the offices where they came from. So I think that that savings might be a little overstated.

And one of the things that really interested me in what you said was the cost of retrieval. And I just-- It's hard for me to fathom that the cost of retrieval, for the State to run a retrieval, would be less than a private entity that probably isn't paying -- these are probably not high-paying jobs, probably not paying benefits. I mean, do you have data on what these private facilities are charging, versus what we would be paying State employees, with benefits and everything else, to be doing this same job?

MR. NIEDERER: Well, what we have is the track record of the past five or so years of commercial storage. Iron Mountain has had the contract for the State for the past several years. And their rates for retrieval of records for OPRA, for any other purposes are-- That's where the big money is. They charge a relatively low rate for the annual storage of the records in that facility. But they charge several dollars per retrieval for each item or box that has to be recovered.

I don't have, handy, a cost comparison -- spread over, let's say, for the period of a year -- between the cost of commercial retrieval versus State retrieval, but we can provide that information to you, through the Chair.

DEPUTY TREASURER ROUSSEAU: One final follow-up on liability. I think OPRA does have penalty provisions that a custodian of records could be held liable. I think there's monetary fines in OPRA, if I'm not correct.

Will the Archives office share part of that liability if they're at fault for having a delay in getting those records to the actual custodian of the record, who then is brought before the Government Records Council, or things like that? How will that work?

MR. NIEDERER: I believe the way that the statute reads is that the custodian is the one who bears the liability, rather than a second party, such as DARM would be in a records -- as we are already -- as a records storage facility. We don't share that liability -- certainly not in a direct way. But one of the things that we pride ourselves on is our ability to retrieve anything, any record that you would request from our facility in Ewing Township, in less than 24 hours. And that certainly-- We expect to be able to continue to do that in the enlarged facility as proposed.

DEPUTY TREASURER ROUSSEAU: Thank you.

MS. MOLNAR: Any other questions or comments?

Mike.

MR. LIHVARCIK: I just have two questions. One is to, kind of, pick up on what Mr. Brune was saying. Have you sat down with DPMC -- and if you constructed this facility -- identified exactly which lease spaces would become available, which office spaces may become available? And if you have, through the Chair, could you please provide us with that analysis?

MR. BETTEN: We have worked with Property Management. It's been surprisingly difficult to get comprehensive information from them. We continue to work on that to get definitive answers. But we will continue to do that and provide what we can.

MR. LIHVARCIK: Thank you.

The other question I have is, as I understand-- Under the ADA program, some of the doors were replaced at the State Library -- or the Museum. The additional request for the replacement of doors -- can that be funded via ADA, as well, or are these different doors that don't need to be ADA compliant?

DR. SHANNON: Well, these are both different doors, and doors that are being paid for through ADA -- through the Department of Treasury. So they're already covered.

MR. LIHVARCIK: So the doors are already covered?

DR. SHANNON: The ADA compliance is already covered.

MR. LIHVARCIK: But I'm saying, are there any additional doors that need to be replaced?

DR. SHANNON: Oh, you mean beyond that? No, that would cover all the doors.

MR. LIHVARCIK: So all the doors are covered under the ADA program.

DR. SHANNON: Right.

MR. LIHVARCIK: Thank you.

MS. MOLNAR: Any other questions or comments?

MR. ANNESE: Madam Chair.

MS. MOLNAR: Mr. Annese.

MR. ANNESE: Our staff has asked us a few questions that I'd like to convey to you. And through you, Madam Secretary, if there's anyone you'd wish to direct--

Could you give us an idea of how much storage you provide to agencies that are not part of the State, and how you charge for that?

SECRETARY THOMAS: Currently, I think less than 10 percent of our space is non-government, non-State government.

MR. NIEDERER: Madam Secretary, if I may clarify--

That statistic is correct within the limited domain of our microfilm storage vault. All of the paper stored at the State Record Center, currently -- 100 percent of it are records from State agencies. However, DARM is a provider of imaging and micrographic services, not only for State government, but also for some counties and municipalities. And when we produce that microfilm or other media, the master copy of the microfilm or the other media goes into our vault. So about 10 or 11 percent of the masters that are currently stored in our vaults are from county or local government agencies.

MR. ANNESE: Do you charge a fee for that service?

MR. NIEDERER: We do not. We proposed doing that during the previous administration, but we were advised that it was not feasible to charge -- to assess counties and municipalities for the storage, at that time.

MR. ANNESE: Are you under any guidelines as to what things you must accept from the various municipalities and counties?

MR. NIEDERER: It's really not an issue, sir, of what we must accept. We are a provider of micrographics and imaging services -- essentially a production facility. They can come to us voluntarily. If they choose to use our imaging and our micrographics production services -- and if they do that, we charge them a fee for producing the microfilm, or producing scanned files. And we simply store the master copy in our vault.

MR. ANNESE: Thank you.

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

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

SECRETARY THOMAS: Thank you.

MS. MOLNAR: Our next department is the Commission on Higher Ed. I'd like to welcome Jeanne Oswald, Executive Director; and Dr. Pruitt.

J E A N N E M. O S W A L D, Ed.D.: Good morning, Madam Chairwoman and Commission members. Thank you for the opportunity to appear before you today.

I am Jeanne Oswald, the Executive Director of the Commission on Higher Education.

MR. ROTH: I'm sorry. Could you use the microphone? Maybe that one's not working.

MS. MOLNAR: No, it's working. She needs to move it closer.

Just put it closer. It's working.

DR. OSWALD: Better?

MR. ROTH: Yes.

MS. MOLNAR: Yes.

DR. OSWALD: Thank you, again, for the opportunity to be here to speak with you today. I'm Jeanne Oswald, the Executive Director of the Commission on Higher Education.

It's a pleasure to be here along with Dr. George Pruitt, who is the President of Thomas Edison State College and also the Chair of the New Jersey Presidents' Council.

We're both here to discuss the capital renewal and renovation needs of New Jersey's senior public colleges and universities. Following my remarks, Dr. Pruitt will offer comments, and then we would be very pleased to answer any questions that you might have.

In November of 2003, the Commission adopted *A Blueprint for Excellence, Stage 1 of New Jersey's Long-Range Plan for Higher Education*. That plan is built on a vision that articulates a shared responsibility of the State and its colleges and universities to create and sustain a system of higher education that is among the best in the world. We are now beginning to implement action plans to achieve the key objectives of the *Blueprint*.

One of the primary long-range plan objectives is to create sufficient capacity to serve a rapidly growing number of students who need a college education. And that need, as you know, is growing rapidly in the knowledge-based economy. Another objective is to address public and private sector needs for research and workforce development, to make sure we have the highly skilled workforce that's necessary.

Both of these objectives are aligned with two overarching public agenda issues for higher education. The first is to improve access and achievement of students from preschool through graduate school. And the second is to improve or enhance the economy through workforce development and research.

Colleges and universities in New Jersey are facing an unprecedented demand to serve more students, and the State's relatively small system of public, 4-year colleges and universities has to play a very significant role in addressing those needs. While the increase in demand cannot and should not be met entirely by bricks and mortar, there is no doubt that some new and expanded facilities are going to be necessary. But there is also a very pressing need to maintain, renew, and renovate existing facilities to preserve the State's assets; to serve more students in a safe and appropriate environment; and to support state-of-the-art research that will fuel the economy and improve quality of life in New Jersey. And that's what we wish to address today.

The *Blueprint* calls for the Commission and Presidents' Council to work together with the administration to develop a long-term plan to address a range of higher education capital needs. That plan, which is scheduled to be adopted by the Presidents' Council and the Commission sometime next year, will provide a framework for long-term, rationale capital planning and funding for higher education, and will be brought before the Legislature.

In the interim, there is a critical need, however, for an annual State appropriation for the public research universities, and the State colleges, and universities for the maintenance and renewal of the State's higher education physical assets. Our most current information indicates a need of at least $170 million to address preservation and maintenance, regulatory compliance, and deferred maintenance -- those that will not be met, I must say, in conjunction with other construction and renovation that's going on. So these are needs that are not expected to be met in other ways as they improve their campuses.

The senior public colleges and universities have not received a direct capital funding appropriation for this purpose since fiscal 1999. On behalf of the Commission on Higher Education, I respectfully urge you to consider funding in fiscal 2006, to prevent a further backlog of maintenance and renewal at our institutions.

The nationally recognized standard for annual maintenance of colleges and universities specifically recommend that between 1.5 percent and 3 percent of the current replacement value be dedicated annually to maintenance and renewal. For Fiscal Year 2006, the Commission recommends an appropriation of $36.3 million, which is 1 percent of the most recently estimated replacement value for the colleges and universities. Institutions would match State funds with .5 percent, and thereby reach the minimum standard of 1.5 percent of replacement value.

I just want to mention that the $36.3 million is based on an estimate that was -- data collected in 2001. And the data collected in 2001 was based on the 2000-2001 academic year. So certainly there's been a good deal of construction at the campuses since then. And we would estimate the actual replacement value is closer to $4 billion now.

Referring back to that public agenda that I mentioned earlier-- As the public calls for increased access to an affordable and effective college education, the economy also requires enhanced research and workforce development. The demands on our colleges and universities are significantly increased. State support for the maintenance and renewal of the 12 senior public colleges and universities is a critical element in addressing these needs.

I thank you for your attention, and I will turn the table over to Dr. Pruitt.

GEORGE A. PRUITT, Ph.D.: Thank you, Dr. Oswald.

Members of this Commission, the State of New Jersey is facing a quiet crisis. It is quiet in that the consequences aren't loud, they don't scream at us. But we are facing a crisis, nevertheless. We have a very special history in our state.

And I've been here a long time. I'm starting my 22nd year. And I've seen a lot happen in the state. I've been in five other states before I came here. And I regularly work with national commissions and associations, and I have a pretty good national view. We are unique in a lot of ways.

One of the ways that we're unique is that we don't have a tradition in history of support for public higher education. Prior to World War II, we had six teachers' colleges. That was, essentially, it. What we now know as our system of higher education -- certainly public higher education -- was really built in about a decade period, from 1966 to 1976. And New Jersey responded magnificently, as many states did, to what was called the *baby boom* -- when the baby boom hit the classrooms.

I am 58 years old. I was on the leading edge of that boom, and I was the beneficiary of it. And it was a magnificent period of building throughout higher education in the country, and certainly in New Jersey. If you look at what New Jersey did during that period between '66 and '76--

Rutgers came in -- was created as the State University -- first through an act of the Legislature in '46, and then in '56. The Newark Technical School became the New Jersey Institute of Technology. The University of Medicine and Dentistry was organized. The higher education structure -- the six teachers' colleges were taken out of the Department of Education and given their own board of trustees. Three new institutions were started: Ramapo, Stockton, and Thomas Edison State College. I think I mentioned the University of Medicine and Dentistry was organized.

Higher education, as we know it, essentially was created in about a 10-year period. And we built an extraordinary and magnificent physical plant. We acquired private institutions and made them public. It was an extraordinary period of progress in our state.

Unfortunately, after we organized a system of higher education -- at least in terms of its capital requirements -- we turned around and walked away from it. We are one of the few states in the country that has no regular routine way of investing and reinvesting in the capital infrastructure of its higher education community.

The consequence of that has been that we have not -- that to maintain the quality of our facilities, to create the laboratories and infrastructure to support the research agenda of the State, to educate the citizens of the state, colleges and universities have had to self-finance. The consequence of this -- our colleges are among the most leveraged in the country, and we have some severe, significant capacity issues.

When the baby boom hit, we built a whole system of higher education. We are faced with an increase in demand that's similar to what we faced in the mid-'60s. Yet, instead of building our capacity, we've gone through a decade of disinvestment in higher education, particularly in public higher education.

When I first came into the state in '82, we were looking at -- we were worried about the perception of higher education by our citizens. We had the dubious distinction -- which we still hold -- of being the leading exporter of college students to other states. But the reason that export was happening is because we weren't the institutions of first choice by our citizens, and particularly our brightest students. And we were ashamed of that. And I must tell you there was an extraordinary period of reinvigoration between '82 and probably -- roughly a 10-year period from around '82 and '92, and we turned that around.

Today, we're facing enrollment pressure for two reasons. One -- for you in the business community -- we're getting more market share. If the demographics hadn't changed at all, our enrollment would be going up, because now we are the first choice of New Jersey residents. New Jersey residents understand, applaud, and appreciate the quality of our institutions. And they want to come to them.

The other thing that's happened is this demographic wave. Between the two -- the change in the demographics, the reassessment of our institutions by our own citizens -- we are faced with a demand that we have never seen in our history, at a time where our -- we've never faced capacity constraints that we have in our history. We are turning away more New Jersey citizens than we've ever turned away in the history of the State of New Jersey. You don't hear about that.

We come before you -- and all of our colleagues from State agencies, from other departments -- come to talk about the effect of capital investments on their operations. We have got to figure out a way -- the institutions of the state, the Commission on Higher Education, the people who are concerned about the future of our state -- to make sure that the discussion doesn't focus so much on our institutions, but focuses on the public consequences of what our institutions do.

Frankly, we have weathered the crisis very well. We have strong institutions. They're more expensive than we'd like, but they are still affordable. The quality of the work we do is extraordinary. The facilities that we have right now are very good.

Where the problem shows up are the people that we can't admit, the people that we have to turn away. We're in the bottom five in the country, in terms of capacity, per capita. We would have to serve an additional 68,000 students just to get to the national average, to provide the opportunity for our citizens, that the other states of America provide for their citizens.

So as a consequence of this, we're turning people away. Now, the consequences-- That's going to show up over time. It's corrosive. It's like if you built the Interstate Highway System -- which I also remember being built -- and then after you got it built, walked away and said, "We're done." No, a bridge is not going to collapse. Axles aren't going to be broken because of the potholes in higher education. The problem is, we're going to export our talent to other states, not because they want to leave, but because we will have no room for them within our boarders.

There's been think-tank studies, and papers, and seminars, and it's unimpeachable that the future of a state, the quality of life in a state, the economic vitality of a state is supported by the quality of its higher education infrastructure. When you go and hear the transcripts of the National Governors' Conference on the educational condition of the states, what you hear states talking about is competing with other states, using their higher education infrastructure-- When you go down and look at what's going on in Georgia, North Carolina, California, Illinois, Michigan, Wisconsin, Massachusetts-- States are seeing that they need to prepare for the economic future of their state by building on the infrastructure of -- the higher education infrastructure. We've got to do that in New Jersey. Not for the benefit of the colleges and universities, but for the benefit of the public these institutions serve.

We have to figure out how we're going to create a long-term strategy beyond our short-term needs, so that this asset -- once we've created it, that we maintain it, that we make it current, that we make sure it's on the cutting edge of technology, and then we preserve it as an asset to educate the next generation of New Jerseyans.

The Presidents' Council is working with the Commission to do that. We expect to have a plan ready shortly to present to the Governor, to the Legislature. I think this would also be an excellent forum to discuss that, as well.

We have to solve this problem. Again, it's quiet, it's simmering, it's not going to make the front pages. But, nevertheless, it's a very real, challenging issue.

Thank you.

MS. MOLNAR: Thank you very much. That was very interesting. And I want to thank you for your hard work in getting our higher education system where it is today. And I commend you on that.

I just have one question. Has there been any discussion of putting another higher ed bond on the ballot?

DR. PRUITT: There's been a lot of discussion. There's a clear need-- The higher education community has identified a clear and present need, immediate need, of about $2 billion. We pretty much concluded that to do it, to go through the effort and energy to do it, that's about the size. And, certainly, the need exceeds that.

Dr. Oswald talked about a $4 billion issue. I've been around long enough. I've seen studies of this done. When you look at the total capital need, both to maintain and build out the current infrastructure, to look at the demand we're facing, the numbers get very scary. And as people look at that -- we don't even talk about it, because we know it's unrealistic.

But there is an immediate and pressing need of about a $2 billion bond issue, not only for the senior public institutions, but also for our very important independent institutions and county colleges. We're a fairly seamless integrated system of 50 colleges and universities in the state. It's about a $2 billion need.

That has run up against other competing priorities of the State. And therein lies our challenge. We're all aware of how fiscally challenging the environment is. Our need is real, it's pressing. We're also mindful of the other needs that are on the table the decision-makers have to compete with.

But to answer your question, yes, there has been discussion. There is a general consensus that what's needed right now is about -- a bond issue. And the size of that bond issue ought to be about $2 billion.

MS. MOLNAR: Does that $2 billion factor in increased costs? Our Secretary of State mentioned that costs are being -- there's an upward pressure on costs.

DR. PRUITT: Yes. But the problem is, the pinup demand and need is so huge, it's a matter of-- What kind of bite do you take to make a significant impact? If we were talking about what's the real need to really invest in our infrastructure, to do it right, to do it like other states are doing, we've got to think of it so big, nobody wants to bring it to the table, because it's just useless. We know that people have to deal with it -- we can't. So we're looking at what's a good down payment, what's a nibble, what's a good start. And the $2 billion, we think, is a good start. Does it solve our problems? Absolutely not. Does it take us a long way from where we are now? Absolutely does.

But what really needs to happen is, we need to get away from bonding as a strategy for doing this. You can't-- The last large GO we had, I think, was in '88. You can't go-- And I think the one before that was--

DR. OSWALD: '84.

DR. PRUITT: You can't-- We do it episodically. We do it with a political environment and the fiscal environment -- suggest that it's feasible. That's not a way to run a railroad. We've got to have an ongoing, regular support, regular structure that provides an income stream that maintains and capitalizes the infrastructure asset. No private sector enterprise in America would survive if it treated its capital investment the way the State of New Jersey treats its capital investment in higher education.

DR. OSWALD: I would just add that the last GO bond issue was in ’88 -- the one that went to the voters. There have been several appropriations, bond issues -- revenue bond issues -- that are paid through the annual budget appropriation, in the ’90s.

DR. PRUITT: And if you look at our campuses, there’s construction all over the place. But that construction is being financed by the institutions. The cost of it is being supported by debt service that pressures tuition. So the choice you have -- and these institutions are being faced with -- is--

And I might tell you that the students on these campuses, in pretty much every case, voted to support increased tuition to support the facilities for themselves and those that follow them. We don’t want to increase the cost though. And so there is this tension between cost and to be able to fulfill the mandate. And where we are now is, we are clearly turning away qualified New Jersey residents that ought to be on our campuses, want to be on our campuses, meet all of the academic tests for our campuses.

The public discussion is on affordability. What needs to be focused on-- And affordability is important. And our tuition is higher than we want it to be. We get no rewards for raising tuition. We don’t. We don’t want to raise tuition. We do it as a last resort.

But the issue needs to go beyond that. Because where we are now is, it’s not a matter of whether it’s affordable or not. It’s a matter of whether you will have the room. And we are turning away students that are academically qualified to go to college, that have the resources, either from their parents or through financial aid programs, to go to college. And we're telling them, "You can't go to college, because we don't have a place for you to sit."

MS. MOLNAR: Thank you.

Any other questions?

Assemblyman Cryan.

ASSEMBLYMAN CRYAN: Thank you.

This is for Dr. Oswald, to begin with. I just heard Dr. Pruitt's lecture on the need for capacity. And your statement mostly talks about a request for maintenance and renewal of physical assets and preservation maintenance, regulatory compliance, differed maintenance needs. What percentage of the $54 million addresses capacity? Or is there-- Does the $54 million that your requesting -- 36 and 18 -- how much of that addresses capacity?

DR. OSWALD: Yes, Dr. Pruitt was really talking about the much larger and broader capital issues that we're facing, that the group is going to be making recommendations on next year. What we have come to speak today about is, simply, renewal and renovation, which has traditionally been what this Commission considers for the senior public institutions for annual appropriations, to prevent the differed maintenance, to help the 12 institutions with their maintenance and renewal problems as opposed to new construction.

ASSEMBLYMAN CRYAN: Okay. So I shouldn't expect that for the $36 million that you're requesting, and that half a point -- the 18 million, with the institution of capital, that we could then see an increase of students being able to go to college?

DR. OSWALD: No, not specifically addressed to that. But, Assemblyman, it really does make a huge difference to have these buildings safe and usable. And in some cases, that becomes a problem. So the more efficient use of the buildings is certainly addressed by the renewal and renovation of the buildings, which would be covered by this, and which would address capacity on the small side, however.

ASSEMBLYMAN CRYAN: I have this list of where the appropriations would go. Rowan would get 1.6 million, Kean would get 1.4 million, William Patterson-- Where's the backup? Where's that money going to be spent, and what's it going to be spent on?

DR. OSWALD: I would refer to the Executive Director here. But I believe that the institutions all sent in their annual information regarding their needs in the area of renewal and renovation. And that's a standard practice every year.

ASSEMBLYMAN CRYAN: If it's there, I apologize. I didn't see it. It's probably sitting in the other pile in the office. I must have just missed it. So I apologize for that. So, therefore, I won't have any questions, in terms of how the spending is going, which is probably a good thing.

Is any of it for the purchase of property?

DR. OSWALD: I don't believe it is. No, absolutely not.

ASSEMBLYMAN CRYAN: And the reason I ask is because--

And I guess, Dr. Pruitt, since you were kind enough to give us an overview--

In the district I represent, I have, I think it's the second or third largest university in the state, in Union. And they're looking to spend $25 million to purchase property that's currently on the tax rolls. It's a ratable of over $600,000 a year, and have voiced absolutely no interest in working with their communities, in terms of what that ratable means. I was wondering if you might give me your thoughts, in terms of whether or not it's appropriate for universities to at least consider the municipalities that provide services such as EMTs, fire, in many cases police, and the idea that funding capital programs without consideration to local communities is acceptable?

DR. PRUITT: We lost our audio, but I think I can talk loud enough.

MR. LeBLANC: It's on. (referring to PA microphone)

DR. PRUITT: It's back. Okay.

Assemblyman, it's absolutely essential. There was a paper that one of our colleagues -- that I think all of us ascribe to. It's called-- The name of the paper was *Stewardship of Place*. And we all subscribe to a point of view that we are more than just physical residents within the community. We know we impact the community. But our stewardship responsibility goes beyond just the building and the infrastructure. We know that we affect the communities that we're in.

And I think we do, as a community, try to work with our surrounding comports. Sometimes, just because of circumstances, those relationships -- issues come up. In other places it works very well. But as a matter of--

Your question is: Do we have an obligation and a responsibility to take those things into consideration? Absolutely, we do.

ASSEMBLYMAN CRYAN: I assure you, sir, in this case, they're not, which leads me to a skewed view, I don't mind saying. But I only represent one district in the state -- of what I perceive to be the very arrogance of higher ed, in terms of refusal to recognize the community it serves.

And my other point I wanted to make to you was, who monitors -- is it the board of trustees -- or who is responsible-- You talked about institutionalized debt. And I've seen, in more than a couple of instances that have been referred to me around the state -- of what I perceived to be irresponsible purchases.

Can you explain to me -- and I just don't remember the answer -- when an institution goes out and approves debt, who is-- Is the State the ultimate guideline for that? Are there acceptable ratios? How is that monitored? And who actually defines the purpose? Or is it localized to the institution?

DR. PRUITT: It's the board of trustees of the institution.

ASSEMBLYMAN CRYAN: So if you have a board that has a lack of -- I'll say blatantly -- respect for its neighbors, it has the option of going out and bonding. Who looks at their budget and says, "You know what? Your debt ceiling is too high. Your numbers are too low." For example, in the communities I represent, the voters have an option on that. Who does that? Is it the board of trustees?

DR. OSWALD: It is the board of trustees.

DR. PRUITT: It is the board of trustees, but there is oversight for the same rating agencies that oversee and comment on all debt. And the bond rating of our colleges and universities is very good. There has been some challenge for a couple of institutions, because -- that has been raised, or the issues have been raised -- not because of irresponsible borrowing or debt capacity, but concern about the ability of institutions to continue to raise tuition to support the debt.

But if you look at the bond rating of our institutions, there's-- The trustees make a judgement about whether these things are being done responsibly, and the market makes a judgement about whether these things are being done responsibly. And, so far, the market, as an external assessment, has said that the debt side of it is being managed responsibly.

Now, that does not speak to the issue about the value judgements about how the debt is being used and the purpose for which the debt speaks to.

ASSEMBLYMAN CRYAN: Having read enough about bond sales recently, statewide, I have a request through the Chair. And that would be -- and I don't know whether it's Dr. Oswald or Dr. Pruitt -- but I would ask that we see the debt ratios, since Dr. Pruitt brought it up -- that the institutions are contributing so much. I'd like to know how much in debt our higher ed institutions are before we go looking at a $2 billion proposal or anything else.

Through the Chair, may I make that request?

MS. MOLNAR: Sure.

ASSEMBLYMAN CRYAN: Would you be able to provide that for us, or would someone?

DR. OSWALD: We can definitely provide that for you.

ASSEMBLYMAN CRYAN: I'd appreciate that.

DEPUTY TREASURER ROUSSEAU: I think we should go one step further and ask for the most recent reports of either Moody -- their most recent rating report, as well.

ASSEMBLYMAN CRYAN: Great.

Thank you.

That's it for me.

MS. MOLNAR: Any other questions or comments?

Mr. Brune.

MR. BRUNE: It's a question for Dr. Oswald, I believe. It's about the 1999 higher ed capital improvement bond.

DR. OSWALD: Yes, the capital improvement bond.

MR. BRUNE: The $550 million--

Basically, the question is whether we can get, through the Chair, a summary of how that money was spent. As I understand it -- correct me if I'm wrong -- it was categorized three ways, primarily renovation and rehab projects. If there were student-related fee supported type projects, you could apply, I think, 20 percent towards that.

The last thing was new construction. I guess I was wondering if, by college, you could tell us -- I'm not sure you're in a position to do this -- how that money was ultimately spent. Because I think, at this point, most of it has at least been committed, if not--

DR. OSWALD: It has been. It's all committed, I believe, now. And most of it's spent. And we certainly can do that. The first priority for that money was differed maintenance, because there was such a high level of differed maintenance. And in order to use it for any other purpose, they needed approval from the Commission showing that all their differed maintenance was either taken care of or funding was available to take care of it. So we will show you the ultimate outcome of how the funds were expended.

MR. BRUNE: Can you do that by institution?

DR. OSWALD: Yes.

MR. BRUNE: The only other question I have is, the $18 million, that's part of the $54 million total, that is the institutional component-- Is it fair to assume that that is new spending, over and above your current level of effort in capital?

DR. OSWALD: Well, certainly, the intentions of -- the institutions, like the State, are a bit strapped right now. And that's really the cause of ongoing maintenance deferral every year, when they don't have sufficient funds to do all the maintenance that's necessary. What we were trying to do is say, "If we can get this amount from the State--" And we wanted to make it clear that the institutions are not expecting you to cover all of their maintenance needs, that they continue to provide maintenance as they can each year. And so that would be additional funds to cover maintenance next year.

MR. BRUNE: And do you know, off hand, what the current level of effort is in the capital area? Do you have a ballpark number across the institutions?

DR. OSWALD: Are you asking how much maintenance is used each year?

MR. BRUNE: I'm asking, if this is $18 million of additional spending for renovation and rehab, what the current level of spending is across the colleges.

DR. OSWALD: Nancy, would we have that in our IPEDS data, in their expenditure reports?

I will check on that.

MR. BRUNE: Okay.

DR. OSWALD: The possible source of data would be the Federal IPEDS, where the institutions provide us a great deal of data about their expenditures and their institutions. And if it is broken down there, I can certainly provide that. Otherwise, it would be something that would have to be collected institution by institution, or through audit reports. We could review audit reports.

MR. BRUNE: I guess I'm just trying to establish-- This would be $18 million above some number. If there's a ballpark sense of what that number is-- That's what I'm trying to establish. I know you can't do it here.

DR. OSWALD: Okay. Maybe I have mislead you. I don't want to suggest it's going to be $18 million above what they normally spend. I'm saying that, next year, they would kick in the .5 percent, which amounts to $18 million to do maintenance projects at their institutions, not in addition to. That would be their contribution.

MR. BRUNE: So it wouldn't be over and above the current level of--

DR. OSWALD: No, sir.

MR. BRUNE: Okay.

Just one last question. Do you have a sense of what -- how the colleges have used the EFA during the same time period? The time period has lapsed since the 1999 bond -- which you're going to give us a reconciliation of.

Do you have a sense of how they've made use of the EFA for projects during that time?

DR. OSWALD: I can't speak to it off the top of my head, but we certainly have that information. We have somebody on the Commission who sits on the EFA. We work with them on a regular basis and are part of all of their decision making. And so they certainly could provide a break down for you, if that's what you'd like.

MR. BRUNE: I would appreciate that, through the Chair.

DR. OSWALD: You're interested in how many of them have gone to the EFA for individual bonding?

MR. BRUNE: That's right, and identification of what the projects were during the same time period as the years that have elapsed since the 1999 bonds. So you're talking about five years.

Thank you.

MS. MOLNAR: Any other questions or comments?

Mike.

MR. LIHVARCIK: Yes, I have a question for Dr. Pruitt.

The question revolves around debt. The projects that you're referring to regarding capacity-- What would the build out be if you were given money to construct those projects? What would the time frame build out be?

DR. PRUITT: I'm not sure I understand the question.

MR. LIHVARCIK: How long would it take to construct the facilities that you would need to add capacity to the system? A year, two years, three years? If you were given money today, there's a construction -- there's a phased-in time for a capital construction project. It normally takes two or three years to construct. If you were given money today, how long would it take to add the capacity that you're requesting?

DR. PRUITT: Well, it would depend on what you were given and what it would be used for. I'm not sure there's a blanket answer.

MR. LIHVARCIK: If you were given-- Theoretically, if you were given $2 billion, how long would it take to build that out?

DR. PRUITT: About 18 months.

DEPUTY TREASURER ROUSSEAU: Eighteen months to spend $2 billion, when school districts--

DR. PRUITT: In terms of building a building.

It depends on whether the building's designed, whether the building's planned. I mean, there's no--

DEPUTY TREASURER ROUSSEAU: If that's the case, our costs for school construction, everything else in this state, are going to skyrocket so high that if you were going to spend $2 billion in an 18 month period, you'd get probably a billion dollars worth of product, because the price of everything would skyrocket.

DR. PRUITT: Excuse me, David. I was not answering the question of what -- how we would deploy a $2 billion program. And I'm sorry if I misunderstood the question.

I thought the question would be, how soon would it take to add capacity to the system if we got increased funding. And my response was that it would depend on the project for an institution that had a building on the drawing board. It would depend on what the project had to ramp up from the beginning. A $2 billion deployment -- I don't know. I can tell you we've got data on that. If you just go back to '88, I think it would be fairly easy for us to say, "How long did it take from the time we got the bonds appropriated to how long did it take to actually get the facilities built." So, I mean, we can go back and give you evidence.

But that's a very broad question. I apologize if I misunderstood it. And I did not mean to give you glib or off-the-cuff answers. But if you look at how long it takes to build buildings around here-- Assuming that there's no -- that the approvals and the regulatory issues, assuming that the archeologists don't find any artifacts in the construction, assuming the normal circumstances, normally it takes about 18 months to build a building from the point that you've identified the need, and the programs, and the concept, get the contracts out, have it in construction, and then occupied. But, again, that will vary on the complexity of the building. If you're building a complex laboratory facility, it's going to take longer than if you're going to build a regular classroom facility.

But I think to answer your question is, it depends. I'm sorry. I didn't mean to suggest that -- particularly to my colleague, Mr. Rousseau -- that we could take $2 billion, and it would come out, and then in 18 months, that kind of a deployment would have taken place. Certainly not.

DEPUTY TREASURER ROUSSEAU: I mean, if we're ready to do that, I think we're all going to go out there and start a construction company right now.

MR. LIHVARCIK: The other issue that I have -- and this is my last question -- is that you emphasize the need to use pay-as-you-go capital as opposed to bonding.

In difficult fiscal times, pay-as-you-go capital is at a premium. And if you have to fund $2 billion worth of capacity needs-- If you wait to do that on a pay-as-you-go basis, it's going to take significantly more time to accrue that money than if you did issue debt.

Now, I'm not recommending the issuance of debt by any stretch of the imagination. But if you have a building that is going to have a useful life of 30 years, and you're going to pay for it with a pay-as-you-go dollar, doesn't that penalize the people that are in the institution today, and not the people that are going to be using the institution in the future?

DR. PRUITT: We always fund projects used by the public. We never fund projects for public facilities based solely on the current users. We pay for-- People who have no children pay for schools that are built. We pay for roads that we will never drive on. We have to look at who the beneficiaries are of the investment and then who ought to pay for the investment. Certainly, there's a relationship.

What I'm suggesting is that practically every other state in America understands that once a public entity makes a public investment in creating a public asset, it then has an obligation for maintaining that public asset and protecting the value of the investment it's made.

Other states also acknowledge that they have to have an ongoing mechanism for responding to the demand, as it varies, and goes up and down over time. There are a lot of ways of doing it. I'm just suggesting that New Jersey is one of the states that hasn't done that, and that we have, sort of, episodically looked at it when the economic times and political circumstances allows us to pay attention to it. And I am saying that that's not a very good way of managing these assets. And if you look at the consequences and the results, we have accumulated a monstrous differed maintenance challenge for the higher education infrastructure of the State, because we haven't had a regular, predictable way of approaching it.

So I'm really not suggesting you prepare to suggest, at this point in time, a particular financing strategy or a particular management strategy. What I am saying is that we need to come into the community of other states in the country that have found ways to make a predictable and regular investment in maintaining their higher education infrastructure.

A lot of people need to do a lot of work on how that ought to happen, and what the consequences are, and what the funding strategies are going to be. And there are people working on that. And I would hope that, by next year, we'd have a more detailed and more specific response, a proposal to be considered.

MR. LIHVARCIK: Through the Chair, could you provide us with that information on the other states, please?

DR. PRUITT: Sure.

MR. LIHVARCIK: Thank you.

MS. MOLNAR: Mr. Brannigan.

MR. BRANNIGAN: I want to thank Dr. Pruitt and Dr. Oswald for their presentations here, and to make note that the long-range plan that the Commission and the Presidents' Council has developed is really a very fine plan that is very inclusive. It involves not only the higher education sector, but really every sector in the state, the citizens, and businesses, and whatnot. So it's a good starting point.

Higher education is funded by a wide array of sources: tuitions, fees, State appropriations, endowments, fund-raising from the private sector, and Federal funds. And the construction of capital facilities in the private institutions is usually done through significant gifts from alum, and you read about them in the paper.

In the public sector, what is the combination of sources that you use for the build out of the increased capacity of new facilities, new buildings? Where do you rely on funding for that?

DR. PRUITT: While there are some facilities that are supported by research and indirect-cost research grants, and while some facilities are supported by private giving and philanthropy, the overwhelming majority of college buildings and facilities that are being supported now are being supported by student fees and debt service on students. Students are charged to provide the resources for the bonds -- to pay for the bonds that build facilities.

So, you're right. It's a mix. But right now, in the absence of public funding, the only other source of predictable, regular force is our student payments. And that puts a pressure on tuition. And we don't think it's in the State's interest to have pressure on tuition. We think that affordability is something that we're very concerned about.

There are two major public benefits higher education produces. It's educational opportunity for our citizens, and economic development for our State. And we think that there's a clear public return on that investment for the investment that's made in higher education, but particularly public higher education.

That's why, as I started-- Yes, the impact on the institution is important, but we don't see the discussion about -- as related to our institutions. We will take whatever resources we are given and provide the best stewardship of those resources that we're capable of doing. We have extraordinary oversight. We are public entities. We operate in the open; we're extraordinarily transparent. The government's tradition of colleges and universities is that our faculty, our students, our management, our alumni tend to be involved in the decisions we make.

We will make good use of those resources to provide very high-quality work. And we will make decisions that maintain that. So we've had -- and we do have very strong institutions of higher education. The consequences of the disinvestment don't hurt the institutions, they hurt the people of -- citizens and students that can't get in and have access to them, because we don't have the resources to make the benefit of what we do to the people who want access to what we do.

MS. MOLNAR: Any other questions?

Mr. Rousseau.

DEPUTY TREASURER ROUSSEAU: Just one, just to, sort of, summarize and put this into context about what type of numbers we're really talking about here today.

Let's assume a $2 billion bond issue. You're assuming probably $200 million of debt service annually. And then you're saying, still, in addition to that debt -- in addition to that bond issue, you would still want $30 million to $40 million a year of renewal money, of maintenance money, the 1 percent they're asking. So you're really talking about $240 million more a year going into the higher education capital, a year or two from now, if a bond issue was approved.

Don’t you have a tremendous fear that that’s also going to then put pressure on the amount of money that the State’s going to be able to give you for operating, as well, in the times we’re likely to see for four or five more budget cycles? That it’s going to be a Hobson’s choice between paying $230 million for debt service or capital, versus potentially not getting any increases in operating aid? I mean, how do you balance those two off? Which is the more important of the two to you?

DR. PRUITT: I think, at the end of the day, we’ve got to decide what’s the value of the enterprise of the people of the state. We have a plan, that the Commission on Higher Ed adopted, that said we ought to aspire to be among the best in the nation. If you look at the data, we tend to rank number one or two in terms of one of the wealthiest states in the nation. We’re in the bottom five in support of higher education.

We can take, as a matter of public policy, that higher education is not important to the citizens of the state, or, as I heard some suggest -- which I (indiscernible) disagree with -- that says, “Well, since we’re a wealthy state, let people pay their own way. Why should the taxpayers pay for the education of our citizens?” I’ve heard that. I think that’s extraordinarily bad public policy.

From the days of Thomas Jefferson, we’ve invested in public higher education, not because it takes care of the institutions-- Again, my argument here is not making sure that Thomas Edison State College is okay. I’m here arguing for the people we serve. From the days of Thomas Jefferson, we’ve invested in public higher education -- not because it’s an institutional good --

because we felt it's a public good. And at some point in time, the people of this state, and those that are elected to represent them, have to make an assessment about its value, and to the extent it's important and they wish to invest in it.

One of the challenges that we have -- and our friends in the Legislature tell us this all the time -- "You get punished because you do a good job. You're not broken. You do a good job. Yes, we don't like the tuition. We wish you would hold it down." But are we pricing ourselves away from the citizens of this state? There are some people -- yes, we are pricing ourselves away. But for the majority of citizens of our state, given our still relatively low cost, given the financial aid programs, our students can go to college. But the issue is: what's the public benefit. And then the State's got to decide what its investment has to be. We are in the bottom five states in America, any way you slice it.

Our challenge is: How do we raise the question about how do you value higher education? And the other 45 states have looked at higher education and made a different assessment as to the value it has to its public welfare.

We enthusiastically supported the plan of the Commission, because the plan-- And I want to applaud the Governor on this. The Governor stood forward and said that the future of the state depends-- We are going to have a knowledge economy. We're the home for the pharmaceutical capital of the country. We're losing our manufacturing base. For the New Jersey of the future to be the New Jersey of the past, it's got to do what North Carolina did, what Georgia is doing, what other states have done. We've got to invest in the human capital for our future. And that requires investing in higher education in this state. And, yes, it's going to be expensive.

And I would do a disservice to you to come up here and say that it wouldn't cost a lot of money. If we aspire to have one of the best systems of higher education in America, we're going to have to make the investment that other states have made that do have the best systems of higher education in America.

There was a lot of discussion around the issue of what was commonly referred to as the Vagelos Commission report. And that report was controversial. It was extraordinarily controversial. What was irrefutable, though, was the documentation in there of the investment that other states were making in higher education.

If these people of New Jersey were prepared to make a similar investment as the people in California -- which is a low tuition state -- we wouldn't be having these discussions. And I'm not talking in total amounts, I'm talking in per capita amounts, or per student amount.

So, David, your question is, if we funded the things that are being requested, it would be a huge, huge increase in the dollars that would go to higher education. The dollars are finite. Something else would have to give. We understand that. And that has been our problem in the past.

And I don't mean this in any bad way, but there is no political benefit for supporting higher education, and there's no political penalty for cutting it. And so it has been hard to get attention, relative to other things -- and particularly in the fiscal crisis.

You know, we have been massacred, in terms of our support for higher education, and you haven't heard us complain about it. We've tried to point out the consequences of the cuts, and we have done that. That's our job. And we will continue to do that, because there are consequences for the cuts.

DEPUTY TREASURER ROUSSEAU: I think you just saw the eyes of a number of people up here on that "we haven't complained." I guess, opened the eyes, versus-- I guess it's a different view on-- I still remember a certain college president, after somebody offered him $50 million last year for the sector, said, "It's simply not enough."

DR. PRUITT: Well, it depends on what outcome you want to have. There are consequences to the cuts. Our job is to point out to public opinion makers what are the consequences of the cuts. And there are consequences to the cuts. There are 68,000 people, New Jersey residents, taxpayers that we're going to say, "You can't go to college in New Jersey." There's a consequence for that cut.

I think we've been fairly restrained, because we understand the choices that you face and have to face when you're looking at a 1, 2, 3, 4 -- how ever many billion dollars deficit that you want to calculate. And we know that we're competing with charity care in hospitals.

And I came in here in another recession. I've been here a long time. I came in here, and one of my colleagues was answering questions about canceling a dialysis program, because we're in the middle of a fiscal crisis. No one is going to die if higher education doesn't get supported. And so if I'm sitting on the other side of the table, and I'm looking at how do you fund a dialysis program versus fund my institution, I'm going to fund the dialysis program.

So that's what I mean about no complaining about it. But it would also be wrong to say that, "Because we funded the dialysis program and didn't fund the college, there are no consequences, either." There are consequences. They are different consequences. And they take place slowly and quietly over time. So it's a crisis, but it's a quiet crisis. We are slowly but surely corroding the investment in our future and the intellectual infrastructure of our state. And there will be a price to be paid for that.

That's the point I'm trying to make, David.

DR. OSWALD: May I add something to that? I think a lot of philosophical thoughts have been brought up here, and some of the things that we'll be grappling with as we do a long-range plan for capital needs in higher education.

But I think what Dr. Pruitt has pointed out is that there is a need for this State to determine whether they want to have a larger system of higher education per capita, or perhaps just build on the system they have. But either way, there are capital needs that are important, and there are assets to protect. So if we were to decide, as a State, that we should not expand the colleges significantly, but improve the system we have, there still would be significant capital needs. And if we were to decide that we wanted to serve a much greater portion of our students, should they want to all stay in New Jersey, that would mean a lot of expansion.

Finding the balance and determining what is possible, given the fiscal constraints of the State, is the important thing.

MS. MOLNAR: Thank you.

Any other questions or comments? (no response)

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

DR. OSWALD: Thank you.

MS. MOLNAR: Our next presentation is the State Library. I'd like to welcome Norma Blake, State Librarian.

Good morning.

Could you introduce your staff?

NORMA E. BLAKE: Good morning.

Is that better? (referring to PA microphone)

Good morning.

I'm here this morning with Mike Scheiring, who is Vice President and Treasurer of Thomas Edison State College; and Diane Koye, the State Library Fiscal Officer.

Madam Chairperson and members of the Commission, as State Librarian, I thank you for all of your past support of the New Jersey State Library and the Library for the Blind and Handicapped. I am here today very concerned about the condition of the State Library building and the technology infrastructure of both the State Library and the Library for the Blind.

As you know, the State Library is the research library for all branches of government and the largest public-access law library in the state. We have special collections: genealogy, Jerseyanna, funding and foundations, and State and Federal documents. The State Library also provides information services to 451 New Jersey public libraries, providing them with databases, Internet access, and technology infrastructure.

Our product Q and A NJ is the world's largest statewide online information service. The service received its 100,000th question and quadrupled the number of participating libraries in just three years. Tutor.com, which offers free, 20-minute sessions online with certified teacher tutors, helps New Jersey students in grades 4-12 in English, science, social studies, and math. It, too, has quadrupled its usage. JerseyClicks is our new portal for federated searching by keyword of our information service, our statewide databases, and the JerseyCat interlibrary loan system. We also fund a project that will allow public libraries to offer wireless computing directly to personal laptops.

At the State Library, we depend on technology to deliver our services. We had a 25 percent increase in the number of hits on our Web site last year. Also, last year, the staff responded to 67,875 queries which involved doing 44,233 electronic searches. We request $300,000 in '06 to upgrade cabling and networked computer equipment, as well as to install a new telephone system. Our telephone system is very old and at capacity. We cannot add a single phone, yet we answered about 24,000 reference questions last year.

The Library for the Blind and Handicapped is a division of the State Library, serving as the State's public library for the visually impaired, deaf and hard of hearing, and those who physically cannot hold a book. The Commission of the Blind recently increased the estimate of the number of New Jerseyans who are potential impaired residents, that LBH could serve, to 290,000. LBH provides residents with specialized equipment and materials in many formats such as books on tape, large print, and Braille. Our audiovision service broadcasts recordings of seven New Jersey newspapers, as well as national, international, and special-interest programming. It is available to residents 24 hours a day. We invite you to visit or tour LBH, because it is a New Jersey gem.

In order for customers to receive services and material quickly, technical equipment needs to be replaced. LBH needs a new server with operating system and power supply. Over 457,000 items were circulated last year. We request $82,625 in technology to maintain current services. We also request $95,000 for audiovision, because LBH needs two recording booths and equipment replacement. Frequent broadcast problems necessitate a server replacement and backup.

The work of the State Library is hindered by the poor condition of the building, as well as a lack of up-to-date technology. For nine years, we have requested funds for remediation of water infiltration. Walls are flaking and damaged. The longer the moisture problem is unattended, the higher the probability mold will grow. The Treasury Department stated that wall repairs were futile until water infiltration problems are remedied. We request $482,000 to complete this project.

Our infrastructure and facility issues are longstanding. Built at the same time as the State Museum, which is currently being renovated, we struggle to offer 21st century services from a 1960 building. The State Library needs a facility that will well serve government and the people of New Jersey today and in the future.

A feasibility study for a new State Library building is again requested. Previously approved by this Commission, and included in the

Governor's 2002 budget, study funding was taken out during the budget woes of Spring 2001. The need for this $400,000 study still remains. It is the first step in creating a 21st century, technology-based library service that every resident of New Jersey deserves from the New Jersey State Library.

And I thank you.

MS. MOLNAR: Thank you.

Any questions or comments?

Assemblyman.

ASSEMBLYMAN CRYAN: Two quick questions.

MS. MOLNAR: Okay.

ASSEMBLYMAN CRYAN: Hi, and thanks for your--

In the Library for the Blind, I heard you talk about 290,000 residents potentially eligible, from 126. In the backup, though, for one of these-- It says 457 items circulated -- an average of 37 books a reader; which, by my math, is somewhere between 12,000 and 13,000 users. How many people actually use the library?

MS. BLAKE: We have, as registered individual borrowers, 12,500. We also serve schools, nursing homes, all kinds of outreach centers. But individual registered borrowers are 12,500. We are increasing our circulation by 10 percent per year.

ASSEMBLYMAN CRYAN: And you must have a tough job.

If there's 12,000 or 13,000 now using it, out of a pool of 126 -- roughly 10 percent -- do we factor in, based on 10 percent of 290, or do we-- Where's the growth for that? As I look at the rest of the projects -- I'm going to ask about the phone system in a minute -- it looks as if some of it, at least, is based on expanded growth, based on expanded population base. But if the population base now is only 10 percent of current-- How do I extrapolate that?

MS. BLAKE: Well, what I'm saying is that 12,500 are registered users, presently. But we are beginning to understand the great need in this state for this service. And we are starting to do a lot of outreach.

The reason our circulation is going up by 10 percent a year is that we are going to major conventions, we are putting materials in opthamologists' offices, we are going to schools and nursing homes. There's a great growth in the macular degeneration. And people are realizing that there is a service that will take them, fit their needs for the elderly, and for people who have all kinds of vision problems or who can't hold a book. So we're seeing that the need is much greater out there. We're starting to market these services. They are free services. And we are beginning to see growth in usage.

ASSEMBLYMAN CRYAN: The usage growth -- is that based on-- The 12,500 number, roughly-- Is that a-- Are the same amount of people reading or utilizing the service more, or are there more people utilizing the service?

MS. BLAKE: More people are starting to utilize the service. We estimate about 37 volumes per user. And we're getting about 4,000 phone requests a month. And our total circulation for the year was close to a half a million.

ASSEMBLYMAN CRYAN: I just have one other question. It's absolutely just-- The phone system at $100,000-- For some reason, it just caught my eye. Can you just explain that a little bit? I could be way off. I just remember buying a phone system for a 10,000 square foot restaurant that was, like, $1,500.

MICHAEL J. SCHEIRING: Yes, Assemblyman.

Mike Scheiring, Thomas Edison State College.

The State Library is an affiliate of ours. The system that we currently have is a Centrex system. What we're going to look towards is potentially in a Novia (phonetic spelling) system. We're going to piggyback off the college.

ASSEMBLYMAN CRYAN: So in terms of lines or--

MR. SCHEIRING: I can't tell you the number of lines, or what the capacity would be.

ASSEMBLYMAN CRYAN: In terms of capacity, I guess. What's the additional capacity, for lack of a better--

MR. SCHEIRING: I can't give you that specific answer. But, again, I know what you're asking, relative to the dollar -- how can you do it for $100,000.

ASSEMBLYMAN CRYAN: Yes, it just kind of--

MR. SCHEIRING: We wouldn't be able to do it unless we piggybacked off the system the college was using.

ASSEMBLYMAN CRYAN: Okay. All right, thank you.

MS. MOLNAR: Any other questions or comments?

Mr. Brune.

MR. BRUNE: Two questions, Norma.

There's a statement in your backup here that the Department of Treasury is replacing the roof sometime this year.

MS. BLAKE: Yes.

MR. BRUNE: And that has no -- it doesn't provide assistance for your water problem.

I was just wondering if you could tell us, if you know, the source of the money that you're replacing the roof with.

DIANE KOYE: It's my understanding that the Department of Treasury is picking up the tab for the roof.

MR. BRUNE: So it's a DPMC project.

MS. BLAKE: If I could just comment on that-- We have a new roof going on. We've had leaks, particularly over the computer room. And we're questioning now, though, whether -- without doing the water remediation, when they put on the new roof -- will that have to be pealed up to actually do the water remediation, which is one concern about doing this quickly.

MR. BRUNE: The water problem is not related? In other words, if you fix the roof, you still have a water problem.

MS. BLAKE: That's correct.

MR. BRUNE: That's the point.

The other thing is, I noticed your cost estimate brings us up to 2003, from an original estimate in '95. And we've heard a lot of discussion today -- the Building Authority -- about the fact that construction inflation is quite high these days. And I noticed you used a CPI. I would maybe want to encourage you to talk to DPMC about whether your cost estimate here is -- should be revisited, from the standpoint of some construction inflation index that they may have. Because we are seeing, fairly consistently, bids coming in high.

MS. BLAKE: We will do that. Thank you for the suggestion.

MR. BRUNE: So whether the 42 is too high or low is--

MS. KOYE: The original figure that I obtained was from a 1995 State House Capital study done by USA Architects. And they're the ones that recommended: replace the roof, in '95, and fix the water infiltration problem.

MS. BLAKE: But we will follow your suggestion. Thank you.

MR. BRUNE: Yes, I'm just asking-- As you inflate it -- whether it's -- whether CPI is the right proxy for inflation.

Thank you.

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

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

MS. BLAKE: Thank you.

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

Good morning.

Could you introduce your staff?

ASST. COMMISSIONER ISAAC BRYANT JR.: Thank you.

With me today, to my right and your left, is our Director of Administration, David Corso; and also, I will invite up Scott Henry, from our Office of Budget and Accounting.

Madam Chairwoman and members of the Commission, good morning, and thank you for the opportunity to testify before -- the Department of Education's Fiscal Year 2006 capital budget request.

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

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

I would like to introduce my colleagues, which I've already done.

Basically, there are five priority projects that we would like you to consider as critical to the maintenance of the buildings and to the health, safety, and well being of the students who use them. Our total request is for $2.051 million. We have carefully reviewed all requests and have included only the most essential projects for your consideration. Although I am aware of the severe constraints on funding for capital projects, I can say that each of the projects I am proposing is essential, and merits your serious consideration and support.

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

Most of our buildings are approximately 25 years old, and we are beginning to see a pattern of need for replacement of key structural building units.

The Department is requesting funds for three projects at the Regional Day Schools, at a cost of $1.65 million.

Priority Number 1 requests $600,000 for the entire roof replacement at the Jersey City Regional Day School. Funding for this request was previously requested and not approved. We are again requesting the funding for the project, due to the poor condition of the roof. It is in need of constant repair.

Priority Number 2 requests, also, $600,000 for the installation of a fire sprinkler system at the Winslow Regional Day School. The State's insurance carrier recommended that a fire suppression system be installed. This recommendation was based on inspection by the carrier, and is in accordance with the State's Loss Prevention Plan.

Priority Number 3 requests $450,000 to install an elevator at the Millburn Regional Day School. This regional day school is the only regional day school in the state that has a second floor. Because of this, the disabled children have to wait in the stairwells during a fire for assistance from the fire department. This elevator would be constructed on the outside of the building and allow disabled students to utilize it during a fire emergency.

And now for our other two priorities, referring to the Katzenbach School for the Deaf.

The Katzenbach School for the Deaf provides facilities for educational, vocational, and residential programs for deaf and hard of hearing students. Many of the student have additional disabilities, which further compound their needs. The campus is composed of 31 State-owned buildings. The Department is requesting funding for two projects at the school, totaling

$401,000. Priorities 4 and 5 reflect the current capital construction needs at Katzenbach.

Priority Number 4 requests $215,000 for asbestos floor tile removal in Buildings 27 and 28. These buildings are dormitories occupied by high school boys and girls. The asbestos floor tiles are over 40 years old and are badly worn. This request is consistent with the school's Asbestos Hazard Emergency Response Act plan.

Priority Number 5 requests $186,000 to upgrade the exterior campus lighting throughout the school grounds. This project received prior funding and a scope of work has been completed. However, the remaining funding was cut due to the budget crisis. We are again asking that the funding be restored, because we feel that the additional lighting will address safety concerns on the campus.

Thank you for your consideration. And we're here to answer any questions.

MS. MOLNAR: Thank you.

Any questions or comments from members?

ASSEMBLYMAN CRYAN: Just-- I promise-- I know it's late.

MS. MOLNAR: That's okay, Assemblyman Cryan.

ASSEMBLYMAN CRYAN: How big is the roof on the Jersey City Regional School?

DAVID F. CORSO: I don't have the exact figure with me, but we can provide that to you.

ASSEMBLYMAN CRYAN: If you could, because $600,000 for a roof just, kind of, jumps off the page a little bit. So I was just wondering what the size was.

And the elevator-- I'm assuming-- If I read the backup-- You're building it outside the building.

ASSISTANT COMMISSIONER BRYANT: That's correct.

ASSEMBLYMAN CRYAN: Is that why it's $450,000, because you're actually (indiscernible)?

MR. CORSO: Yes.

ASSEMBLYMAN CRYAN: That was it.

MS. MOLNAR: Thank you.

Any other questions or comments?

Mr. Brune.

MR. BRUNE: You could just stay with the elevator for a minute.

I'm sure I'm not understanding something. Normally, we don't want folks to go in the elevator when there's a fire. What's the circumstance here?

MR. CORSO: Because 75 percent of the population of the school is wheelchair bound.

MR. BRUNE: Okay.

How do they get to the second floor now?

MR. CORSO: There's an interior elevator.

MR. BRUNE: Oh, I see. You want an outside.

MR. CORSO: Right.

MR. BRUNE: On the fire sprinkler system that you want -- it's your Number 2 priority -- at the Winslow Day School, is there no sprinkler system?

MR. CORSO: No.

MR. BRUNE: So there's nothing in the building.

MR. CORSO: No. When these facilities were built back in the '80s, they did not have a fire suppression system put in. The insurance carrier came through and is looking at them. We're currently installing one at Millburn, right now--

MR. BRUNE: Okay.

MR. CORSO: --based on an appropriation that was recommended by the Commission about three years ago.

MR. BRUNE: Just one last question. On Katzenbach -- on the asbestos tile-- Have you, in the past, tried to request that money from the central hazardous material--

MR. CORSO: Yes, actually we did get an appropriation last year. I think it was $165,000, through Mike's office -- through your office -- to do that.

MR. BRUNE: Okay.

So this is, sort of, more of the same.

MR. CORSO: Yes. The AHERA plan has identified areas that need to be taken care of, in terms of asbestos. This is the next one in the program.

MR. BRUNE: Thank you.

MS. MOLNAR: Mike.

MR. LIHVARCIK: So I imagine that you'll be requesting additional money from the hazardous materials fund, again this year.

MR. CORSO: Correct.

MR. LIHVARCIK: The other thing is, I would like to thank Mr. Bryant for his kind words, and being one of the first people to come up and get my name actually right. (laughter)

MR. CORSO: That's because I told him how to say it.

MR. LIHVARCIK: The last thing is, if Mr. Roger Bushyeager would come up for a second, I have a question for him.

There was a dormitory safety trust -- there's a dormatory safety trust fund that provides sprinklers for, I think, college rooms. And, Roger, I hate to put you on the spot, but is this similar to a dormatory?

MR. CORSO: No.

If I may, the Katzenbach School was part of this. And all the dormitories in the Katzenbach School, through an appropriation from this committee -- recommended by this committee, the dormatories at Katzenbach, where the students live, have been -- the fire suppression systems have been installed in those places. The schools are not residential. They are just a normal--

MR. LIHVARCIK: So then it doesn't-- The dormatory safety trust wouldn't apply to that.

MR. CORSO: To my knowledge, based on what I know, no.

R O G E R B U S H Y E A G E R: What I'd like to add-- I would recommend that, possibly, this project be funded from the State line of credit program, similar to what's going on with some of the institutions in Human

Services, where we’re able to finance these sprinkler projects at a 2 to 3 percent interest rate over a period of three-and-a-half years, approximately.

MR. LIHVARCIK: Thank you.

MS. MOLNAR: Mr. Brannigan.

MR. BRANNIGAN: I have some concerns about having wheelchair bound children on the second floor of a building that does not have a fire escape route. Does the second floor have fire suppression? And is it possible to move those students out? I think it would be unconscionable if there was a fire and a tragedy occurred there. It just seems to me very strange to put wheelchair children on the second floor of a building.

MR. CORSO: Just so you know, there is a fire suppression system being installed as we speak. And the project will be completed by spring time.

MR. BRANNIGAN: What happens if there’s a fire tomorrow?

MR. CORSO: That’s a concern.

MR. BRANNIGAN: Well, I don’t think concern is adequate.

MR. CORSO: Well, I would--

ASSISTANT COMMISSIONER BRYANT: My response would be that, as we have in some of our other public schools that also serve disabled youngsters, is that normally they have a fire safety plan, whereby they have security -- individuals, and faculty, and whoever are assigned to specific students. And they practice those drills. So I know that that would be in place at the regional day schools, as well.

MR. BRANNIGAN: Are these students that are in wheelchairs from a specific geographic area that requires them at that school? And would it be possible to place them in another facility?

ASSISTANT COMMISSIONER BRYANT: Your first question is, yes, they obviously come from that region that Millburn would serve, not necessarily just even from that one county.

In terms of their reassignment, that would be a local option, because the local school districts are the ones that make the decision, in terms of where they should be attending.

But with our suggestion, as the Department, I'm saying we could look into that.

MR. BRANNIGAN: If I could suggest, from my perspective -- of all the things that we've heard over the last couple years that I've been sitting here, I can see no more greater need for the State of New Jersey to take expedited action to take care of these children who are in wheelchairs. And the fact that there is a planning scheme for a security to assist and bring them out-- I know in our garage, and what not, we have the handicap sleds that you can bring people down stairs. I still think for -- it's an embarrassment for the State that we're doing this.

MS. MOLNAR: Mr. Brune.

MR. BRUNE: Could you clarify something for myself? Who is on the first floor? What kind of students are on the first floor? Are they also wheelchair bound?

MR. CORSO: Yes.

MR. BRUNE: Okay. So the whole facility is--

MR. CORSO: Not every student in the facility is wheelchair bound. It's my understanding that 75 percent of them are. And I think there's roughly over 100 students at the school.

MR. BRUNE: Thanks, Dave.

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

ASSISTANT COMMISSIONER BRYANT: Thank you.

MS. MOLNAR: I don't believe we have any other business. Our next meeting, I believe, is October 29, three weeks from today. So hopefully we'll see you all then.

MR. ROTH: Madam Chair.

MS. MOLNAR: Yes.

MR. ROTH: Can I just ask a question of staff?

MS. MOLNAR: Sure.

MR. ROTH: Concerning this maintenance analysis that we asked for at our last meeting-- I'm wondering if you could prepare a correlation between those maintenance costs each year and the actual debt service in those years, as well as total debt in those years so that, perhaps, we could see some sort of schematic as to what happens to debt service when maintenance costs go down. I'd like to see this quantified.

I mean, we're all talking about debt service going up when maintenance goes down. It seems logical that that would be the case. But I'd like to see it quantified.

MS. MOLNAR: If there's no other questions or comments, meeting adjourned.

(MEETING CONCLUDED)