Commission Meeting

of

NEW JERSEY COMMISSION ON CAPITAL BUDGETING AND PLANNING

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

DATE: November 16, 2007
10:00 a.m.

MEMBERS OF COMMISSION PRESENT:

B. Carol Molnar, Chair
Anthony F. Annese, Vice Chair
Assemblyman Joseph Cryan
Assemblyman Guy R. Gregg
Gary Brune
Jack Donnelly
George LeBlanc
David Rousseau
Paul Stridick

ALSO PRESENT:

James F. Vari
Executive Director
New Jersey Commission on Capital Budgeting and Planning

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MS. 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 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* and the *Star-Ledger*, and filed with the Office of the Secretary of State.

We'll now do a roll call.

MR. VARI (Executive Director): For Senator Bryant, Mr. LeBlanc.

MR. LeBLANC: Here.

MR. VARI: Assemblyman Cryan.

ASSEMBLYMAN CRYAN: Here.

MR. VARI: Assemblyman Gregg.

ASSEMBLYMAN GREGG: Here.

MR. VARI: Mr. Brune.

MR. BRUNE: Here.

MR. VARI: Mr. Donnelly.

MR. DONNELLY: Here.

MR. VARI: Mr. Annese.

MR. ANNESE: Here.

MR. VARI: Chairwoman Molnar.

MS. MOLNAR: Here.

MR. VARI: Madam Chair, you have seven members and alternates present.

MS. MOLNAR: Okay. Thank you.

The next item is the Executive Director's report.

MR. VARI: Thank you, Madam Chair.

I just have a couple comments to make today. The responses have been coming in to our follow-up questions from the Departments. This past week we received responses from Human Services, where they prioritized the projects that they had listed for their HVAC and roofing. DEP also responded to our request concerning Assemblyman Cryan's request on the pond situation, and Mr. Brune's request on funding for the flood control. And Education responded to Assemblyman Gregg's request on the fire suppression systems. And all that material has been provided to the Commission members. Corrections, and Law and Public Safety are also in the process of following up with their responses.

On the Fiscal '08 roof projects -- I just wanted to provide an update as to where the construction stands. The Department of Human Services had five cottages approved for funding. The projects were initiated in July and a scope of work was -- a draft scope of work was done on October 22.

Children and Families had one group home we approved for funding, and that roof was completed, actually, on September 6.

Military and Veterans Affairs had funding approved for the Teaneck Armory. That money has been transferred out of the central account and into the Military and Veterans Affairs account, because that Department handles their own construction work.

Law and Public Safety met with DPMC last month on their project at Totowa, where they're going to do a roof replacement as well as an HVAC replacement.

Juvenile Justice Commission initiated its two projects for the hospital and the juvenile housing facility.

And the Department of Corrections is initiating its design phase work for the East Jersey State Prison and the Albert Wagner facility, while DPMC is actually working on the DEP building design phase. And those are the roofs that were approved for funding in '08.

Madam Chair, that concludes my report.

MS. MOLNAR: Thank you.

Today we will take the agenda a little bit out of order. We will hold off on the debt report until Mr. Rousseau arrives. So we will start with our first Department. We will start with the Department of Children and Families. I'd like to welcome Lisa Alexander-Taylor, Director of Administration.

LISA ALEXANDER-TAYLOR: Thank you and good morning.

With me today is Stephen Hatola, Director of Facilities and Support Services for DCF.

MS. MOLNAR: Is your mike on? (referring to PA microphone)

MS. ALEXANDER-TAYLOR: Red or green is on?

MS. MOLNAR: Red.

MS. ALEXANDER-TAYLOR: Okay.

Good morning, and thank you for the opportunity to appear before you today in support of the Department of Children and Families' capital planning request for Fiscal Year '09. As you may know, DCF operates 18 State-owned Office of Education regional schools that provide educational services and supports to approximately 1,500 children and young adults daily -- ages 3 to 21 -- which due to the severity and uniqueness of their needs require removal from the public school setting for a period of time.

DCF also operates three public residential treatment centers that serve 96 children who have been removed from their homes due to abuse and neglect. Ewing, Woodbridge, and Vineland Residential Treatment Centers typically operate at their maximum capacity throughout the year. Children are placed by DYFS at these adolescent centers where they receive critical diagnostic and treatment services from our staff. We also run one of our Child Welfare Training Academy regional training hubs at the State-owned Arthur Brisbane Child Treatment Center.

This year's capital planning request is, in large measure, very similar to last year's request, as these continue to be our priorities and DCF still requires capital funding for these important projects.

In order to preserve the infrastructure of community-based agencies that serve children and families, DCF has made capital bond grants available to private, nonprofit, and public agencies to complete essential maintenance, program enhancement, preservation, and life safety projects. This funding continues to be paramount for community-based agencies which provide services to thousands of at-risk children and families. The last capital funding received for DYFS community projects was the 1994 bond issue. There was a total of $9 million appropriated for these projects, and the prior appropriation before that was a total of $5.8 million in 1989. Since DCF has committed nearly all of its available capital bond balances, other capital funds would be required to continue this effort. The $2 million requested today for Fiscal Year '09 will be dedicated specifically to support life safety and emergency projects such as installation of HVAC and security systems, as well as roof, flooring, and septic system replacement.

Ewing, one of our public residential treatment centers, has no on-site school. Youth are either bused to a site an hour away or attend school in a building located at the Department of Human Services' Trenton Psychiatric Hospital -- neither of which is an ideal option. In addition, DHS is in need of their space for use by the Forensic Psychiatric Hospital, and we will need to find an alternate location for the school. Last year, we deferred our request for funding to build an appropriate educational facility for youth at Ewing. We're renewing a modified request, for $1.2 million this year, to construct two classrooms and a multi-purpose room, instead of a full school building, at the Office of Education Mercer Regional School. The Mercer campus shares a footprint with Ewing, and this investment to construct additional programming space in this State-owned facility will provide a long-term solution for the adolescents who reside at Ewing. In the interim, we've been negotiating with the Department of Education to use some underutilized space at the Katzenbach School for the Deaf as a temporary location for the school.

DCF has an Asbestos Management Plan in place, in which our regional schools have been prioritized based upon the condition of the materials and the potential health hazards to students and staff should the material be disturbed. Twelve schools continue to require abatement in order to fully comply with Department of Health requirements. Capital funds are needed for removal of asbestos and site restoration, to enable us to abate approximately three schools per year.

Due to the expanded programming at the Monmouth Regional School -- to include additional students, staff, and a child care center -- we would like to upgrade the septic system to a standard sewage system and tie-in of the school to the municipal sewer system to better support the increased usage.

We are also requesting funds for the installation of emergency generators, including appropriate electrical upgrades, to ensure sufficient capacity exists in the event of a full or partial power outage at any of our 18 regional schools. Since all of our regional schools are powered entirely by electricity, an uninterrupted power supply is critical for continued operations.

As with the regional schools, we're requesting funding for new emergency generators for the residential treatment centers. The emergency back-up generators were installed as part of the original construction. And since all of the residential facilities opened in 1973, they have naturally suffered from some deterioration. Funding for the maintenance and upkeep of the facilities has steadily declined. New equipment will ensure that we are better prepared in times of crisis.

Existing surveillance systems are old and the quality of the images is extremely poor. Upgrading the surveillance systems will help prevent vandalism, guard against unauthorized visitors, and better protect the young people at our residential treatment centers.

Our capital requests for these facilities are designed to improve the quality of life for youth for whom the State has assumed its greatest level of responsibility, and to maintain or bring the facilities in compliance with DCF regulations and the standards outlined in JCAHO accreditation. Maintaining compliance with this accreditation allows us to draw down Federal Title 19 Medicaid funding to annually supplement State resources needed to run the centers.

Finally, DCF has an outstanding citation from the Department of Environmental Protection relative to the water storage tank located at the Arthur Brisbane Child Treatment Center that currently houses one of our Training Academy regional training sites. In order to abate this, DCF must repair and repaint the water tower at a cost of approximately $185,000. Our failure to address this issue could impact on the water quality delivered at Brisbane.

Thank you for your attention and for your consideration of our requests.

MS. MOLNAR: Thank you.

I had two questions. I have a press release that says -- this is from back in April -- its says, "The State Child Advocate called on Child Welfare officials to halt new admissions to a south New Jersey facility for troubled children until chronic problems with runaways and mold inside the cabins can be addressed." Do you know what the status is of that?

MS. ALEXANDER-TAYLOR: No, I don't. I believe that's VisionQuest. I know that our Director of Central Operations has been working with both the Child Advocate and the VisionQuest executive leadership to address that. There is a corrective action plan in place that deals with the admissions and the programming. But beyond that, I don't have any other details.

MS. MOLNAR: Okay.

The other question I had: What's the status of SACWIS? I know there's overruns, etc., etc. Assemblyman Cryan is on top of this issue.

MS. ALEXANDER-TAYLOR: SACWIS went live on August 22, and was rolled out to our 5,000 staff in our DYFS local offices. As with any system this massive and rolling out to as many people as we have, there have been challenges. Our staff are working through those challenges. We have been working aggressively to manage those. Commissioner Ryan convenes a daily meeting with executive management and senior leadership, as well as the subject matter experts from the project team, both on the State side and the vendor, CGI. They identify, prioritize, and triage the issues as they arise, and then interim and long-term solutions are developed to keep the system operational and functioning at peak optimal capacity.

We've done a number of things to support our staff with additional on-site support, additional help desk support. We've done online tutorials where they actually walk through a common problem with an application and help our staff be able to navigate the system well. So the long and short of it is, it's huge. But daily, things are getting better.

MS. MOLNAR: Do you know if we're pursuing any remedies against the vendor?

MS. ALEXANDER-TAYLOR: We already have a complaint that was filed, I believe, last November against the vendor, and we are in negotiations with them, with OIT and the Office of the Attorney General as our partners. And we're live, so we're close to the finish line now.

MS. MOLNAR: Are we withholding the final payment pending this complaint?

MS. ALEXANDER-TAYLOR: We have withheld funds pending our approval and satisfaction with each of the deliverables.

MS. MOLNAR: Thank you.

Any questions or comments?

Assemblyman Cryan.

ASSEMBLYMAN CRYAN: I want to follow up on the SACWIS for a second, and then ask about BearingPoint. The -- BearingPoint, by the way, is the quality assurance vendor that we hired -- right? -- as part of NJ Spirit to over view the project.

MS. ALEXANDER-TAYLOR: Yes.

ASSEMBLYMAN CRYAN: I'm just going to read you this paragraph, and then I'll leave it at that -- to think that this issue hasn't faded away by the least. Here's from the 11/13 BearingPoint report, "One issue directly impacting code fixes is the level of CGI staffing." CGI is the vendor for this project. "Development resources continue to leave the project during the month, bringing into serious question CGI's capacity to perform the work required in a reasonable time frame to correct all the outstanding incidents, reports, and improved enhancements. The State has raised this issue with CGI Management and registered their strong concern."

You know, this report today still says that Spirit has a ton of issues -- which we all agree with -- but this vendor issue, which the Chairlady raised, is significant. And this paragraph, which has been an ongoing theme in this entire project -- CGI's lack of support. They threw people at this when they got, as far as I'm concerned when the -- it should be-- The president of CGI came in here and got in front of the Budget Committee, I think on an awakening. And I have real concerns about where we are and where we're moving. I want to say thank you to you and to Commissioner Ryan for the continued updates. And there's a lot of positive things going on with this, and I don't want to-- I haven't lost the baby with the bathwater, so to speak. But when I read about CGI pulling out again, which is what I'm reading here-- And again, this report is only dated 11/13. That again raises serious issue. This Committee, I believe, and the State has invested $70 million in this thing.

MS. ALEXANDER-TAYLOR: That's correct.

ASSEMBLYMAN CRYAN: It's a boondoggle that's two, two-and-a-half years late. Maybe more, depending on your time frame. And the idea that the vendor can't commit to support and is pulling resources out when we're up-- Let's be honest, we're only live here two months.

MS. ALEXANDER-TAYLOR: That's correct.

ASSEMBLYMAN CRYAN: Okay. Two months and CGI is out of here -- by this report -- on things like code, which everybody knows when you go up live is what you have to fix. And I don't have to be an IT guy to know that.

MS. ALEXANDER-TAYLOR: Right.

ASSEMBLYMAN CRYAN: It's a really-- It's a frightening comment to read in there, I'm sure. But I want to reiterate here, with the privilege of a microphone in front of me, to say this has to get dealt with. And not only are-- How much money are we withholding back?

MS. ALEXANDER-TAYLOR: I believe the balance that's outstanding is the $6 million or so, from Fiscal Year '07, carried forward; and the up to 2.4 million that was in budget language.

ASSEMBLYMAN CRYAN: So there's 8 million on the table -- 8 million and change on the table. Okay.

I just want to reiterate again -- I can tell you we're going to deal about this in the Human Services Committee. We're going to go over Spirit, obviously. It's no great surprise.

MS. ALEXANDER-TAYLOR: Right.

ASSEMBLYMAN CRYAN: But I really have a lot of concerns about that.

Second, aren't there kids in VisionQuest now?

MS. ALEXANDER-TAYLOR: Yes, there are.

ASSEMBLYMAN CRYAN: Okay. Is the mold fixed or isn't it fixed?

MS. ALEXANDER-TAYLOR: I don't know, sir.

I can find out for you.

ASSEMBLYMAN CRYAN: Okay. Through the Chair, I've been through that facility. I'd like to know whether or not -- I thought there were kids still in the facility. I thought the clean-up deal was on the mold to remove it, so that everybody would be fine. I'm a little concerned over the lack of ability to define that here. I recognize any question can come up, but please get back to us sooner than later on how that is.

MS. ALEXANDER-TAYLOR: I certainly will.

ASSEMBLYMAN CRYAN: Because VisionQuest, so we understand, is almost a national vendor, right, on these things?

MS. ALEXANDER-TAYLOR: Yes.

ASSEMBLYMAN CRYAN: This isn't some unique, single nonprofit. This is a big organization that should be able to fix their things.

Finally, on the nonprofits, your first request?

MS. ALEXANDER-TAYLOR: Yes.

ASSEMBLYMAN CRYAN: Those are all grants? Do you have a listing? And I have to tell you, I read this stuff the other day, and then I forgot to bring the file with me today. Do you have a listing of what groups have put in for the request for that money for the infrastructure?

MS. ALEXANDER-TAYLOR: Yes. We have records of everyone that's applied for our prior RFPs, and what was awarded and what was not funded.

ASSEMBLYMAN CRYAN: Through the Chair, I'd like to ask if we could just get a copy of that and see who is outstanding.

MS. ALEXANDER-TAYLOR: Sure.

ASSEMBLYMAN CRYAN: And by region, by area, I just need a list. I'd like to have some comprehension as to where they're from.

MS. ALEXANDER-TAYLOR: Okay.

ASSEMBLYMAN CRYAN: Okay?

Thank you.

MS. MOLNAR: Any other questions or comments?

Mr. Brune.

MR. BRUNE: Priority No. 2--

MS. ALEXANDER-TAYLOR: Yes.

MR. BRUNE: --Mercer Regional School.

MS. ALEXANDER-TAYLOR: Yes.

MR. BRUNE: Is the situation at Ewing, which has no on-site school, is that unique? In other words, does Vineland and Woodbridge have an on-site school and Ewing does not? Right?

MS. ALEXANDER-TAYLOR: Yes.

MR. BRUNE: What is the situation with Human Services and the Forensic Psych Hospital, in that they need the space as you described?

MS. ALEXANDER-TAYLOR: Well, actually, it is their space, and they wanted to do, I think, additional -- either admissions or programming relative to the Ann Klein Forensic Center, and we're occupying the space that they would use for that.

MR. BRUNE: It's admissions or programming, you said?

MS. ALEXANDER-TAYLOR: Yes.

MR. BRUNE: You mentioned that there's an alternate at Katzenbach, at least potentially. Has somebody looked at the two locations from a sort of a cost-benefit standpoint and compared the two?

MS. ALEXANDER-TAYLOR: When you say the two -- vocations?

MR. BRUNE: I'm reading here in your testimony. I'm sorry. It says, "renegotiating with DOE to use some underutilized space at Katzenbach as a temporary location for the school."

MS. ALEXANDER-TAYLOR: Yes.

MR. BRUNE: I guess I had two questions here. Have you looked at it from a cost standpoint -- one location versus another -- Mercer Regional versus Katzenbach? And is there a-- We know it costs 1.2 million to do the Mercer Regional. I was curious what it costs to go to Katzenbach.

MS. ALEXANDER-TAYLOR: I don't yet have an estimate of what it would take.

MR. BRUNE: Okay.

MS. ALEXANDER-TAYLOR: I know that Katzenbach is going to have to relocate some of their staff and programming to kind of consolidate it to make that space available for us. But what other upgrades or other changes that might need to be made, I don't have a cost estimate on that as yet.

MR. BRUNE: Well, through the Chair, could you provide that kind of an analysis, so we could sense whether that's an option here?

MS. ALEXANDER-TAYLOR: Certainly.

MR. BRUNE: Okay.

The location of Katzenbach, relative to where the Ewing's location is, is it far from it?

MS. ALEXANDER-TAYLOR: No, it's not far. It's, I would say, within a half a mile.

MR. BRUNE: Okay. So where Mercer Regional School is, is adjacent?

MS. ALEXANDER-TAYLOR: Yes.

MR. BRUNE: Katzenbach is not that far away?

MS. ALEXANDER-TAYLOR: That's correct.

MR. BRUNE: Okay.

MS. ALEXANDER-TAYLOR: Which is why it became a decent alternative for us, at least for temporary.

MR. BRUNE: Thank you.

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

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

MS. ALEXANDER-TAYLOR: Thank you.

MS. MOLNAR: Now, I forgot one administrative thing. Could we go back and approve the minutes of the October 26, 2007 meeting? Do you have any questions? (no response)

Okay. We'll hold off on that.

Our next Department is Juvenile Justice Commission. I'd like to welcome Rosanne Fairbanks, Chief Administrative Officer.

ROSANNE FAIRBANKS: Good morning, everyone.

Good morning, Madam Chairperson, members of the Commission, and Executive Director Vari.

I'd like to thank you for this opportunity to present the Juvenile Justice Commission's FY '09 capital budget request. My name is Rosanne Fairbanks. I am the Chief Administrative Officer for the JJC, and I'm representing Kimberly Ricketts, our Administrator, for the Department of Law and Public Safety. And to my right is Wendy Worringer, Deputy Director of Budget at OAG; to my far left is Sal Marcello -- he's our Chief Fiscal Officer; and Dan Smurlo, who's a manager of our Capital Planning and Facilities.

You'll be happy to know I won't be reading the entire prepared testimony that you've received, but rather I'd like to highlight some of the more urgent capital needs. First, I'd like to thank you all, on behalf of the JJC, for your past support of our initiatives. Without past support through your recommendations, we would not have been able to provide our residents and staff with a safer place to live and work. But we still have a long way to go. As many of you know, our facilities operate around the clock every day of the year. We do not close for holidays, including the day after Thanksgiving. Our mission includes providing, on a daily basis, for over 1,000 residents and 1,200 direct-care staff, safety and security within our facilities. Our 80 or so State-owned facilities located throughout the state are aged and costly to maintain. All of our priority requests are central in providing a safe and secure environment -- the best that we can in these buildings that exist. Looking into the future, ideally we would like to promote projects that would be favorable to the rehabilitation of our population while protecting the state environment and deferring costly recurrent operating expenditures.

The Commission's first priority is our critical repairs, at $2.4 million. These funds will enable the Commission to make repairs to our aging facilities, and include repairs to our HVAC systems, plumbing and electrical upgrades for code compliance, septic system upgrades, and replacement of windows and doors with energy-efficient windows and security doors. Our request details many of these projects and their criticality. The critical repair funds are also utilized for unforeseen emergencies in our facilities that compromise the health and safety of our staff and residents.

Our second request is 2.4 million for security enhancements. As many of you may be aware, there was a serious incident at the Training School in Monroe Township last Easter Sunday. Two officers were injured in a physical altercation with juveniles. As a result of this incident, the Commission has taken steps to improve the safety and security of the facilities by installing security cameras in six dormitory buildings to enhance direct supervision of juveniles residing in the cottages. Building on this technology, we would like to enhance security cameras in our juvenile medium secure facility in Bordentown -- specifically in hallways, the cafeteria, the day areas, and vocational areas -- affording yet another safety tool for the supervision of our most troubled population. In addition, security funds would be used for a direct alarm system at that facility. This "man down" system is used to indicate an emergency. Officers were lucky enough to utilize this technology at the Training School during the Easter incident. This tool is critical for the safety of our custody officers and civilian staff in our secure facilities.

Our third request, of over a little over a million dollars, provides for the installation of suicide-resistant fixtures at JMSF and at our behavioral modification unit at the Training School. These funds should provide yet another safety tool for our staff, in addition to close supervision for some of our more troubled adolescent population. One suicide is too many.

Our next request is 1.2 million, and that's to replace a septic system at our Pinelands Residential Home. The current repairs of the septic field will only last about two years. Our foresight in making this request will save an anticipated hauling cost annually of \$80,000 to \$100,000. Additionally, DEP violations and fines will be avoided with the funding of this initiative.

Our request of the 1.5 million for a hospital infirmary at the Training School is the second of a total renovation plan for that building, which is used 24/7 for the housing of our youth who are ill. Without this facility, many youth would likely have to be hospitalized longer, costing exorbitant hospital and medical bills. A roof replacement, as was mentioned, is already approved for this building, and is in design through the central roof funding.

The second phase will allow for the rest of the exterior -- the window, the brick pointing, ADA compliance issues to be addressed. The last phase will be the interior renovations, which we will request in an out-year upon completion of the exterior renovations.

We are requesting 5.8 million to continue our effort to install fire suppression systems in our facilities and to update the remainder of our community homes. These funds will address current DCA fire code violations. While these projects may be costly, the protection of our residents and staff is priceless. We are requesting $1 million to continue to install boilers at the Training School. The existing heating plan at the Training School is failing. Steam boilers are beyond their life span, and the existing network of underground piping that delivers steam to the buildings on the campus is literally being patched together each year to heat the campus. To date, in FY '08, the JJC has spent close to $90,000 on steam line repairs. Each new boiler installed cuts the cost of heating to that particular building by 50 percent. In addition, the emissions from the new boilers are much cleaner than the existing powerhouse. The long-term solution is for the closure of the antiquated powerhouse on that campus and complete conversion.

Lastly, I would like to touch on a request for a feasibility study, for $450,000, to explore constructing new buildings, primarily at our New Jersey Training School campus. The buildings, especially on this campus, cost a great deal of money to maintain, both from the capital budget and critical repairs, and the direct State service budget. (indiscernible) at the facilities are not designed with adequate sight lines of supervision, as well as not being conducive to the rehabilitation of youth. The study would also help to determine the overall cost savings in constructing new dorms, as opposed to retrofitting old structures that were constructed -- some over 100 years ago.

Funds that you approved last year of 2.8 million for the sewer connection to the municipality, as well as the update of the heating system at this campus currently underway through PSE&G, already have formed the infrastructure for new buildings to be brought online that are safe, secure, and efficient.

I would like to thank you for your attention this morning, and we would be happy to answer any questions that you may have.

MS. MOLNAR: Thank you.

Any questions or comments?

ASSEMBLYMAN CRYAN: I do. I'm sorry.

MS. MOLNAR: Assemblyman Cryan, that's fine.

ASSEMBLYMAN CRYAN: A couple on the Training School. So we need alarms more than we need a boiler -- that's first off, if I read this right?

MS. FAIRBANKS: Well, in terms of the enhancements, and safety, and security of residents and staff -- especially the staff after the East incident -- I mean, it's close. They're both important, but I have to say that we -- the security would come first at this point.

ASSEMBLYMAN CRYAN: So if we didn't have an Easter incident, we'd have a boiler as our second overall priority here?

MS. FAIRBANKS: Security enhancements-- We are looking at our juvenile medium secure facility to kind of mirror what we've done at the Training School.

ASSEMBLYMAN CRYAN: And has the request for cameras -- which capture an incident afterwards, don't prevent an incident per special education -- has that been worked through the law enforcement group, the union that's there, and all that?

MS. FAIRBANKS: Yes.

ASSEMBLYMAN CRYAN: So if we approve this tomorrow and it arrived, the union would say -- the officers there would say that this is what is needed, and we are doing the responsive thing, and this is the right thing to do? And they were involved in this and all that kind of stuff?

MS. FAIRBANKS: Yes.

ASSEMBLYMAN CRYAN: Okay. All right. Thanks.

MS. MOLNAR: Mr. Vari.

MR. VARI: Yes, hi.

We were just looking at the capital balances, and we were hoping you could send us in the -- I think you have 6.9 million in capital balances that carry--

MS. FAIRBANKS: In reappropriation, yes.

MR. VARI: --in '07? And we would like a list of the projects that are out there, outstanding, and-- Is there any particular reason why some of these funds haven't been expended to date? Is there--

MS. FAIRBANKS: I'm going to let Dan Smurlo address some of those issues.

DANIEL SMURLO: Yes. How are you doing?

I'm Dan Smurlo.

A lot of the projects that we have, have been in with DPMC, and have been for many years in some cases, due to various reasons, and these projects have not been closed out. And I think what you see is a rollover of that money coming into succeeding fiscal years. We have a couple projects now that are getting ready for closeout. Ms. Fairbanks mentioned the duress alarm -- that will be closing out very soon. It's being used in a limited sense to make sure that we're not going to have any problems with that. Let's see, we have a couple big projects -- the interior electrical upgrade of two buildings. That's a pretty large appropriation. Most of these are big projects that still have not come to completion or to complete closeout. I mean, if there's any specific account that you're interested in, I could look at that.

MS. FAIRBANKS: I think what happens at the close of a fiscal year -- the funds that are in pre-encumbrance status roll back into uncommitted and carry forward. So it appears that 6.9 million actually was unspent and rolled forward, when in actuality most of those dollars have been earmarked for projects -- most especially the fire safety project comes to mind. And we also have the -- there was a sewer project also that carried forward. So there were a number of projects that we'd be happy to submit, through the Chair -- those projects and the details.

MR. VARI: All right.

Thank you. I appreciate that.

MS. FAIRBANKS: Okay?

MS. MOLNAR: Any other questions or comments?

Gee. Oh, Mr. Brune.

MR. BRUNE: Just one question. You have in your priority list critical repairs and security -- and I saw the suicide. I think it's No. 3. Is there anything that meets the definition of fire/life safety, outside of suicide fixtures, that is buried in the other categories? What I mean is, in critical repairs, for instance, is there anything that meets that definition?

MS. FAIRBANKS: Not in the critical--

MR. BRUNE: Or putting it another way, if you could provide that, through the Chair, that would be fine.

MS. FAIRBANKS: We'll take a look through our main projects. Because almost everything that you look at you can say is a safety feature.

MR. BRUNE: I don't mean safety. I mean, so much as like a public safety issue here. In other words, a fire suppression system might be an example -- I know that's in here somewhere, but--

MS. FAIRBANKS: And that would be under our fire safety.

MR. BRUNE: I don't want to miss it because it's buried in something else, is my point. Okay?

MS. FAIRBANKS: Okay. We'll check through that and get back to you.

MR. BRUNE: Thank you.

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

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

Okay, could we approve the minutes of the October 26, 2007 meeting?

MR. DONNELLY: I'll move.

MR. ROUSSEAU: Second.

MS. MOLNAR: Okay.

MR. VARI: On the motion to approve the minutes of October 26, 2007, Mr. LeBlanc.

MR. LeBLANC: Yes.

MR. VARI: Assemblyman Cryan.

ASSEMBLYMAN CRYAN: Yes.

MR. VARI: Assemblyman Gregg.

ASSEMBLYMAN GREGG: Yes.

MR. VARI: Mr. Rousseau.

MR. ROUSSEAU: Yes.

MR. VARI: Mr. Brune.

MR. BRUNE: Yes.

MR. VARI: Mr. Donnelly.

MR. DONNELLY: Yes.

MR. VARI: Mr. Annese.

MR. ANNESE: Yes.

MR. VARI: And Chairwoman Molnar.

MS. MOLNAR: Yes.

MR. VARI: Madam Chair, the motion carries.

MS. MOLNAR: Thank you.

Okay. We'll go back to our original agenda. We will now do the debt report. I'd like to welcome Nancy Feldman, Executive Director.

NANCY B. FELDMAN: Good morning.

I'd like to thank you for having us here today, and introduce Deputy Director Jim Petrino; and Cate Singer, a manager in our office, who was instrumental in putting this report together for this Commission. On behalf of Acting Treasurer Michellene Davis, her staff, and the staff of the Office of Public Finance, I'm pleased to present this report to the Commission, the annual debt report for Fiscal Year ending-- Yes.

MR. VARI: Excuse me, is your microphone on?

MS. FELDMAN: That's actually a good question.

MS. MOLNAR: Red is good.

MS. FELDMAN: Red is not good?

MS. MOLNAR: No, red is good.

MS. FELDMAN: Okay. Got that -- apologies.

This report is for Fiscal Year ended June 30, 2007, as required under New Jersey statute. And this report has been prepared and submitted to the Commission to assist you in the preparation of the State Capital Improvement Plan.

Upon your review, you'll notice the report has been modified slightly from last year, but primarily the same. It's our intention to work to enhance this presentation over time, including the data in it, to make the report, and continue to make the report, relevant and user-friendly within the guidelines set forth in the statute. Our goal is to continue to better reflect the changing landscape of the public finance industry, the impact of these changes on the State's debt portfolio, and the goals and accomplishments of the administration as they relate to this debt portfolio.

The report in front of you is consistent with those of past years, and is designed to satisfy the statutory requirements set forth, namely that the Commission's State Capital Improvement Plan include a report on the State's overall debt. Specifically, the report contains the required information relating to our outstanding general obligation debt; capital leases subject to appropriation debt; and debt service costs for the prior year and current fiscal years, and projections for the subsequent five years.

I'd like to-- Well, all of you should have had this report to review about a week ago, and we'd be happy to answer any questions about the information in the report. And I'd really appreciate the opportunity to discuss it with you.

MS. MOLNAR: Thank you.

I had just one or two questions for now. Tab B, where you talk about your debt management goals for 2008: Number one, would you envision that your 2009 goals would be similar to these?

MS. FELDMAN: Yes.

MS. MOLNAR: Now, you talk about opportunistically refunding outstanding bonds. What is the range of the rate decreases you're able to get by refunding?

MS. FELDMAN: We did not do a significant amount of refundings the last year. We would normally attempt to reach a 3 percent present-value savings goal, with the intent of maintaining the maturity schedules and the amortization schedules of the new bonds versus the old bonds.

MS. MOLNAR: Good.

Thank you.

One other item, on the same tab. Under goals, would you ever include a goal such as ensuring controls are in place to provide more stringent oversight? I'm thinking specifically about the Schools Construction Corp., where there is some questions about the oversight of the funding. Would you ever consider that as a goal?

MS. FELDMAN: Oversight of the debt or oversight of the use of proceeds, may I ask?

MS. MOLNAR: Probably both.

MS. FELDMAN: Well, with respect to the debt, we are issuing debt, as authorized by the Legislature and consistent with the needs that are presented to us by the cash flows provided by the School Development Authority, at this point. With respect to the spending of the money, that's not a responsibility that we normally are responsible for. I think the oversight now is within the Treasurer's office, but not within the Office of Public Finance.

MS. MOLNAR: Thank you.

Any questions or comments?

Assemblyman Gregg.

ASSEMBLYMAN GREGG: Thank you, Madam Chair.

Let me start by going back to your initial questions, Madam chair, about the debt management goals. They're the identical management goals of last year. There are no changes at all, as you view the debt situation in the State of New Jersey as it relates to the solvency of the State.

MS. FELDMAN: The goal that we have laid out here are with respect to managing the debt that the Legislature and the Executive Branch approved, and the voters approved to be issued. And with respect to choosing how much, or -- we're not responsible for making that statement. And so our job, specifically, is to make sure we issue the debt in the most cost-effective and efficient way, and make sure that we manage it after the issuance of the debt.

ASSEMBLYMAN GREGG: Through the Chair, it appears you're coming here this morning to this Commission with the point of view that the only responsibility you have statutorily by doing this report is to just tell us what is occurring; as opposed to where I believe the Commission and the statute would understand it, as you should be giving us a good view of the health of the State, how much debt we have, whether it's good or bad. You've given us numbers in this report that reflect other states showing how they are doing, what their numbers are. So my suspicion would be that since you're giving us that information, part of your report should be telling us the health and welfare of our State as it relates to debt. Do you disagree with that?

MS. FELDMAN: The information is absolutely here. We are reporting, as appropriately required, where the State's debt is. Is it high? Yes, it is high. Is it the highest? No, it is not the highest. Would there be a goal, if we think about it in the overall context of: is less debt better than more debt, as a general comment? I think the answer to that one is, "Yes." How do we achieve the balance between maintaining the infrastructure, the buildings, the safety-- It's interesting to walk in and hear that the focus on the prior discussion was with respect to safety. Those are important investments that you all hear and make decisions on with respect to recommendations. So there's an important balance between how you fund your infrastructure and your capital needs, and the amount of debt that's associated with that.

ASSEMBLYMAN GREGG: But again, you don't believe that, or do believe that you could make recommendations to this Commission? I mean, quite frankly, let's just start with the tax table in your report. It shows 1992 net tax supported debt as a percentage of personal income. For the State of New Jersey, it was 2.2. These are statistics, but they're the ones I look at just to get a flavor for where we're at. That was a short time ago -- was 1992. Alabama, for argument's sake, is 2.4. Now, in 2007, Alabama is 2.0, and New Jersey is 7.6. Now, that's a pretty dramatic increase as it relates to encumbering an individual in the state with debt. Other states that are on the top, as you talked about before, for example, California; or for example, Massachusetts, another one of the high-debt states -- in 1992, they were at 8.00, they were very high. So even back a decade and a half ago, they were high. Today they are 9.4. One would argue that's not a big change. But using Massachusetts and Alabama as comparatives -- that a bad state, or a high-debt state has stayed high; Alabama a relatively low state has stayed low; while New Jersey has had exponential increases in debt. What is your thought on that?

MS. FELDMAN: New Jersey has increased its debt load tremendously over this period of time. It is high. It was not high in 1992. Decisions were made along the way that have increased that amount of debt. Is it laudable to think that we should go back to the 1992 level? The answer is, it's a function of what the needs are in terms of the state of infrastructure and how we have funding to do that. Funding can be done on a cash basis, funding can be done on a debt basis, and there is a balance between the two, in terms of the availability of money.

ASSEMBLYMAN GREGG: Noting that comment and noting the numbers here, would it not and should it not have been one of your recommendations -- this year, last year, years before -- to stop this, because it's a spending problem, in order to keep your debt at a reasonable level as it relates to burdening the citizens today, tomorrow? That there has to be a piece of the formula that stops spending, because that's the biggest problem in incurring debt? Obviously, some of these projects need to be done, but other states obviously have a capacity of balancing capital debt versus cash and carry. Why is that not one of your recommendations?

MS. FELDMAN: It's something we should take under consideration.

ASSEMBLYMAN GREGG: On another subject, the two I'd like to discuss -- school construction is one of them -- it appears that we still have some money in the school construction fund, more than I would have expected to see, that is now allowable for borrowing. There was obviously, I would just say, press notoriety that the program was completely broke. Apparently, it is not broke. Could you explain that to us please?

MS. FELDMAN: Yes.

Jim, do you want to do that? Yes, why don't you go ahead.

JAMES M. PETRINO: The money is committed to projects, but we have not financed all of those projects, so there's still ongoing work being done, and the projections included in here reflect that -- reflect the issuance of the balance of what was authorized under the original legislation.

ASSEMBLYMAN GREGG: Through the Chair, will these uncommitted funds be going to new projects, or only projects that are already in the pipeline, or projects that are already started?

MR. PETRINO: Projects that are in the pipeline or underway, already authorized. I don't believe there's money available for new authorizations. This is just funding the ongoing programs.

ASSEMBLYMAN GREGG: Following with the Chairwoman's comment as well, have there been any changes in the actual system of dispensing these funds to ensure that there is not the problems we've had in the past, since we seem to have the better part of 20 to 25 percent of the funds still available for the future? Have we changed processes in the Department in any way, manner, or form?

MS. FELDMAN: The legislation for the School Development Authority and the leadership that has been put in place has been working to manage the expenditure of those funds. These funds, as Deputy Director Petrino indicated, had been committed already prior to this point in time, and the School Development Authority policies and procedures that are in place are intended to manage these funds more carefully.

ASSEMBLYMAN GREGG: And the last topic I'd like to bring up: obviously this is a debt report. This report is brought to us every year talking about debt. It's a statistical report, as well as it's a comparative report. One would also say it's a report that we should be looking at in the future, and what we should be expecting. Obviously, you're with Treasury, and Treasury works for the Governor. The Governor has been working on a plan that's called *monetization*. Many of us would believe that would be a program that would be the single, largest debt issuance in the state history --

perhaps in the country's history -- as it relates to debt. I see nothing in this report that discusses that in any way, manner, or form, especially since the Governor took time yesterday to articulate the plan again, and now starting to talk about how it does relate to debt -- in his case saying that it would be used to lower debt. Why is it not reflected even as a footnote in this report?

MS. FELDMAN: This report, as you pointed out, is a report about the debt for Fiscal '07. The Governor, yesterday, did make a statement that I heard with respect to how much debt he would hope to pay down going forward, as well as his anticipation of greater controls on the approval and issuance of debt in the future. That is the significant amount of detail that is out there with respect to what the Governor has stated, in addition to the comments related to his core principles that were produced a number of months ago. So with respect to what debt might look like going forward, what debt might or might not be paid off, it's really a function of what legislation is approved. And in absence of knowing what's in that legislation, it is somewhat difficult to make projections in a report of this nature until we have some clarity on what that is.

ASSEMBLYMAN GREGG: Well, clearly, through the Chair, the Governor and the Administration -- who is your boss, who you all work for -- I assume that he knows what you're saying today and probably saw this report before we did. With that, don't you believe that the citizens, in this report, would deserve to know what you believe a $30 or $40 billion debt addition, or a $15 billion debt addition -- whatever it's going to be-- Because the numbers that we've talked about have been upwards to at least $10 or $15 billion, at least, if you're talking about cutting the debt in half.

How that might fit, since the expectation is this program would happen prior to the budget in 2008?

MS. FELDMAN: I'm sorry, I didn't understand the question.

ASSEMBLYMAN GREGG: I'll redo it.

MS. FELDMAN: At one point we're adding debt and one point we're paying off debt. I apologize.

ASSEMBLYMAN GREGG: Well, that's because-- I'm having as much trouble as you are, because that's what the Governor is trying to sell -- that going into debt is going to get us out of debt, so I'm just as confused as you are. But I'll go over it again. In other words, since this appears to be, as it has been described by your boss, an addition of debt to the State of New Jersey, regardless of what happens, whether it's used for paying down the deficit, whether it's used to pay off debt, whether it's used for roads, whether it's used for school construction -- all of the aforementioned have been discussed for this use. It's still going to be adding an additional burden to the taxpayers over time. And it appears that the expectation of the administration is that would occur before June 30 of 2008.

MS. FELDMAN: I have a difficult time commenting on it, in light of the fact that the details are not out there and we don't have legislation that tells me how I should be behaving with respect to it. We do make some projections as to what additional debt in some small increments would look like. It is a mathematical calculation, no more. So if we show you, as we do in Tab -- I'm going to go with Tab H. No, I apologize, Tab G -- what 500 million or a billion more of debt on the State's balance sheet would look like. It is a mathematical calculation. So if you want to make that a billion, two billion, three billion, whatever that may be, those would be proportional in that respect. With respect to making any kind of a projection or a speculation on legislation that hasn't been proposed yet, I have a hard time doing that.

ASSEMBLYMAN GREGG: The program has been proposed, though. And it's the typical political answer we get -- that when something is being discussed and articulated and put down in writing, and numbers are being discussed and uses are being discussed, that it doesn't exist. It does exist. And I think it would be good for a report like this to include the potential of that occurrence, even if it was to say, if it was a $10 billion, or a $20 billion program, or a $40 billion program -- what it would do to that statistic, instead of 2.2 going up to 7.7. Would that make the weight of debt on a person here 15.9? Would that be now twice California? Because I think, clearly, in the last election, the public is finally catching on to the danger of having a state that has got too much debt associated with it, while it also has deficit spending going on at the same situation. There's become an incredible distrust of what's going on down here.

I think it's important that when a body like this receives a report like this that the public gets a fair shake at knowing exactly what has occurred, what is going to occur, and what might even occur. Because ultimately, they're going to be listening to this perhaps on the receiving end -- that this may fix this or fix that, or lower that. We'd like to know what *Moody's* would think about these things, because this is the only opportunity we get to do this. You know, this is not an every day affair. From here, it then goes to the Budget Committees in both Houses, and they tend to be more political than this. At least we'd like to think that they probably are. We'd like to think we're less political here.

So I will just close by thanking you for your honesty, and hope that we here -- and I hope that the Commission here can request that, as this program moves forward and becomes more clear over the next few months, that perhaps this debt report could be amended, or you could come back and show us. Because I think it is the one piece, or document, that the public can look at and say, "This is supposed to be -- is the real deal. This is the picture of where you're at." And I think it is. I think when you see the dynamics and the differences between where New Jersey was in 1992 and where we are today, and where virtually every other state is -- we're the most unstable state in the country as it relates to debt growth -- without getting into the discussion of giving away our tobacco settlement moneys or borrowing for operating expenses, or all of the other things that have occurred over the last six years, that it is becoming an issue that we're going to have to grapple with. Quite frankly, I won't be around for it, but I'll be watching it; and hopefully watching it still from New Jersey, and not from South Carolina like 70,000 or 75,000 people have chosen to do.

I thank you, Madam Chair, for indulging me.

MS. MOLNAR: Okay.

Assemblyman Cryan.

ASSEMBLYMAN CRYAN: Thanks.

So you don't have the secret plan either, just so I understand it?

MR. ROUSSEAU: Super secret. It's a super secret, Joe, not just secret.

ASSEMBLYMAN CRYAN: And let me just say, I disagree completely with Assemblyman Gregg. The idea of forecasting off a plan that hasn't been presented to the public and giving numbers that have no meaning is in my mind completely opposite. I think it's demagoguery -- that that's blatantly political. It's nice to have somebody who just wants to deal with facts. And as I understood yesterday, respectfully, that we will see this -- which you can't comment on and I can't comment on, because we don't have--

MS. FELDMAN: I've heard the speech. I heard the speech and you heard it.

ASSEMBLYMAN CRYAN: You heard the speech, January 8. So let's deal with what's in front of us, as opposed to-- And just so that I'm clear -- and what I want to do is clarify some of the numbers that were talked about so you can relate them in context to us.

MS. FELDMAN: Sure.

ASSEMBLYMAN CRYAN: In the debt report, we talk about $29 billion without the CAFR debt. When the Governor talks about 32 or 33 billion, he's including the Transportation Trust Fund in that. Is that correct?

MS. FELDMAN: What he's including are the bonds that have been issued subsequent to June 30 of '07, which are in Tab J.

ASSEMBLYMAN CRYAN: Okay. So it's--

MS. FELDMAN: Right. So because this number is reflective of a certain point in time, and we have, according to the authorizations issued, several bond issues since then, the 32 billion incorporates the bonds that are in Tab J, on top of the 29 that are in Tab D.

ASSEMBLYMAN CRYAN: So we have awful debt, like the special needs housing program for the disabled, that we added since then?

MS. FELDMAN: Yes.

ASSEMBLYMAN CRYAN: And by the way, some of this bad debt that we have includes things like Open Space and Liberty Science Center, and things like that, doesn't it?

MS. FELDMAN: When you say, "bad debt" -- I'm sorry.

ASSEMBLYMAN CRYAN: Well, that's what I tend to hear, none the less. So we all have an understanding. And this is more me than the question to you, and I get that, and I'll ask in a second. But we have debt here that (*a*) has a funding stream in some cases, is that correct?

MS. FELDMAN: That is correct.

ASSEMBLYMAN CRYAN: Okay. We also have debt that many people, whether we look at -- if we want to go back to a week ago Tuesday, we can look at open space, for example, which the public clearly has embraced. That's part of debt, is it not?

MS. FELDMAN: Yes, it is.

ASSEMBLYMAN CRYAN: Okay. And then we also have -- which we all agree on, and I heard very clearly yesterday, things like borrowing for operating expenditures -- probably most people would think is generally not good debt.

I also found it ironic that we started with 1992 -- and I'm not going to do the whole political thing -- but we had an election in 1993, which somewhat argues as where this thing took off from. Some would argue under *D*s or *R*s. What I like to say is, it's under both, let's deal with the issue. So when we hear about, or talk about, a fiscal restructuring, when-- What I want you to do is help us, in this report, understand, if you can -- the Governor talked about, in his speech yesterday, the effects on the operating budget of $2 billion or so -- whatever that number is. Could you help us with that, in here, is that possible?

MS. FELDMAN: Oh, sure. I can explain the relationship between debt and debt service.

ASSEMBLYMAN CRYAN: Okay.

MS. FELDMAN: Okay. On Tab D-2 is a projection of debt service related to bonds that were issued and outstanding as of June 30, 2007. The first number of columns, titled “2007” through “2013,” are the annual cost of debt service on those bond issues.

ASSEMBLYMAN CRYAN: So when I look at grand total in ’07 of 2.5, or in ’08-- And you know what else I forgot today -- is my CVS eyeglasses. So the reality is--

MS. FELDMAN: There are -- the grand total, on the bottom, is 2.57 billion for 2007, the year that is nearing -- well, is partway through completion.

ASSEMBLYMAN CRYAN: Right.

MS. FELDMAN: And the projections are actual debt service on bonds that have been issued as of June 30, ’07. There is not an expectation of any additional bonds in those numbers. Those are for bonds that were outstanding as of June 30, ’07, and the related debt service for those bonds. If you--

ASSEMBLYMAN CRYAN: Okay. So when I look at 2008 -- I’m sorry, but just look at 2008--

MS. FELDMAN: Go ahead.

ASSEMBLYMAN CRYAN: --we're looking at 2,667,000,000?

MS. FELDMAN: That's correct.

ASSEMBLYMAN CRYAN: Okay. It also, by the way, generally equates with the accepted structural imbalance of the budget of about $2.5 billion a year.

MS. FELDMAN: I have heard a number in the $2.5 to $3 billion range.

ASSEMBLYMAN CRYAN: Yes. I'm on the Budget Committee, I heard the same number.

MS. FELDMAN: Okay, so then you know the number. Okay.

ASSEMBLYMAN CRYAN: Okay.

MS. FELDMAN: On the fourth column from the left is the total amount of debt outstanding -- not the annual cost of debt, but the total debt outstanding, which is on the lower right-hand side, the 29.719 billion, which we talked about as the amount that was listed on the prior page of D-1. So you can see it's not in every case that debt is a percent -- debt service is a percentage of total debt. In our case, it does look to be approximately 10 percent.

ASSEMBLYMAN CRYAN: So when we talk about the opportunities to reduce debt in context of the operating budget of the State of New Jersey -- a $33 billion budget -- and I'll ask my colleagues up here to correct me, but as I understand the operating budget in the State of New Jersey, about 73 to 74 cents of every dollar leaves Trenton via aid, grants, property tax relief, or some form or another.

MR. ROUSSEAU: Correct.

ASSEMBLYMAN CRYAN: Is that correct?

MR. ROUSSEAU: Yes.

ASSEMBLYMAN CRYAN: So when I look at a budget of 33 billion and just do some rough math at 25 percent, it's about $8 or $9 billion. Because I think most of us like property tax relief. I mean, I make another big assumption there that says all of us like property tax relief. So when I look at $9 billion and then I look at a debt figure here of 29 billion, which you've presented -- and also, again, those bad things like special need housing that have been issued since June -- that we're at a $33 billion debt. Can you think of a way, from your professional background, that you can cut enough money out of a $9 billion potential, between 8 and 9 billion, to cut spending to get to a number of 33 billion? Do you have any way of doing that?

MS. FELDMAN: I wish I were a magician.

ASSEMBLYMAN CRYAN: Yes.

MS. FELDMAN: It's a very complicated relationship.

ASSEMBLYMAN CRYAN: That's correct, it is. So when we deal with the thought or the idea as if that were simply going to cut spending or cut waste, the reality is, is that it really has-- When one accepts that relief for property taxpayers is the number one issue in this state, as well as, I think most would argue, that the children of families requirements in this state, which total over $400 million -- that the reality is, is that when we look at that budget situation to this debt requirement that we have here, is that the idea of cutting to get to that number is not fiscally responsible or reasonable, is it?

MS. FELDMAN: The math doesn't work.

ASSEMBLYMAN CRYAN: In your professional judgment, the math doesn't work.

MS. FELDMAN: The math does not work.

ASSEMBLYMAN CRYAN: So when we talk about the idea that someone wants to present a plan, well thought-out, cleared by the IRS and the tax people, and thoughtfully done, as opposed to being a *secret plan*, that we might actually have an understanding that-- By the way, debt doesn't go away, you pay for it, right? I mean, nobody waves off the debt, pretty much, right?

MS. FELDMAN: Nobody waves off the debt as a consumer.

ASSEMBLYMAN CRYAN: So somebody is going to pay. At the end of the day, someone is going to come up with the money. So that when we look at this situation, that we understand that the reality is we can't cut our way out of it and we have to deal with what's in front of us, and as we heard yesterday and will continue to hear, that the opportunities that are there for us include a requirement of an obligation of $2.5 billion this year, an overall debt obligation of 33 billion. And if people want to talk about cuts, what they should really talk about is how to cut $33 billion from an accepted number of between 8 and 9 billion. Would that be about right? Okay.

And what I want to do is not have a demagoguery debate here today or any other time. What I'm hoping that we have is a debate about hard choices, which we all accept the hard choices. Since we're going to look at a starting point of 1992, which is fine by me and includes a bipartisan representation of debt increase exponentially, whether it's in pension bonds, or quite frankly the ability to borrow for operating -- which was a dumb idea, too -- that we look at it in a reasonable context. That we understand, for example, that infrastructure and opportunities to utilize--

By the way, do you consider it bad debt if there's revenue to pay for it? Would that be generally considered accepted bad practice, if there's a revenue stream to pay for it?

MS. FELDMAN: Debt -- the use of the phrase *bad debt* I, typically, would assume would define as something that did not fund a capital-related project. And so even if there were a revenue stream associated with it, I would say that that is not the typical use of debt.

ASSEMBLYMAN CRYAN: So if you utilize debt to pay a Transportation Trust Fund, which is in this, the most congested state in the country -- where I'm sure nobody here has sat in a traffic in the last month or two -- I'll just say that -- that maybe that investing in that type of infrastructure is, I think, generally accepted to be good for New Jersey's economy. So when we look at that type of situation and we have a revenue stream, is it only reasonable to ask people to keep an open mind, to look at our infrastructure, to look at the type of debt we have, and not criticize or utilize things like "cut waste and cut spending," and let's deal with this thing in a factual basis.

And my final comment I guess is this, and then I'll leave it. Fifty-five percent of the people who pay tolls in -- the New Jersey Turnpike, the E-ZPass, are from out of state. Our tolls, right or wrong, when one goes -- if they read the *Ledger* today -- when one goes to Denver, we don't get treated pretty fairly on the toll roads. If you have a dedicated stream that can work to open opportunities for New Jersey's investment, along with reasonable cuts -- which is my understanding from listening to his speech yesterday, are part of this equation as well -- does that make, in your background, reasonable fiscal sense?

MS. FELDMAN: Yes, it does make reasonable fiscal sense to balance those issues.

ASSEMBLYMAN CRYAN: What I hope we all do is, we all actually, for once, embrace the idea of having a thought-out presentation to the public, as opposed to a non-thought-out one that continually runs into problems; and that we look at things on a factual basis and understand that, for once, political people didn't run out in front of things and do something to make a ton of changes later. That they're actually thought out without delay. And that's what I'd ask yourself, the members of this Commission, and the public at large, and my colleagues in both Houses of the Legislature -- to simply look at the plan when it's ready, understand that it's been thought through, with caveats, with ideas, and then of course understand whether it's $2.5 billion in '08, which grows exponentially and totals out to 213; to still around 2 billion, right -- (indiscernible) -- to still over $2 billion. That maybe it would be a good idea that we actually operated and gave New Jersey's budget the opportunity to move with some breathing.

Thank you.

MS. MOLNAR: Thank you.

You remind me of another question I had about the Transportation Trust Fund. I believe the entire appropriation that this Commission makes goes for debt service. There's no funds left for the Transportation Trust Fund. Has there been any change in philosophy with that fund?

MS. FELDMAN: If you look at the projected debt service schedules for the Transportation Trust Fund on Tab F-5, you will see-- Why don't I give you a second to get there? What you will see is the existing debt service in the left-hand column is significantly below the appropriation of $895 million. The projected debt issuance from '08 to '11, which includes the bonds that were issued in September of this year, shows that over the course of the authorization that is outstanding -- the statute that authorizes the annual amount of borrowing -- the debt service will eventually take up the entire appropriation. But it does not at this point in time, but it will.

MS. MOLNAR: At what point does it take over the entire 895 million?

MS. FELDMAN: It looks like in 2010, based on the projections that have been done, which obviously are based on assumptions of interest rates and assumptions of debt structure, which obviously will have to reflect what market circumstances are at the time those bonds are issued.

MS. MOLNAR: So at that point, there will be no money for roads? It's strictly debt service.

MS. FELDMAN: Well, but the bond proceeds will pay for the road work and the appropriation will go to pay for the bonds. So there will be maximum of $1.6 billion per year of road construction with the appropriated moneys that are matched by the Federal contributions related to that, but there will be no pay-as-you-go funding from the 895 million.

MS. MOLNAR: Thank you.

Any other questions or comments?

Mr. Rousseau.

MR. ROUSSEAU: Just a couple comments. First, to staff and public finance, thank you for the great job again, for everything -- to Cate and Jim and Nancy. Second is, I have the utmost respect for Assemblyman Gregg and Assemblyman Cryan, but Assemblyman Gregg -- both of them have always been consistent in their views, and I don't think anybody can -- we can all disagree about policies, etc. I would agree with Assemblyman Cryan that trying to put into this report a hypothetical situation is not the job of you or the job of this Commission. Theoretically, we could ask you-- Let's hypothetically -- people want to spend $10 billion on open space over the next 20 years. Why shouldn't that be put into this report? Hypothetically, we know we're going to have a need for $5, $6, $7 billion for schools over the next 10 years, or so. Why shouldn't that be included in this? And they're even more concrete proposals than the fiscal restructuring proposal that the Governor is talking about. So I think that that -- this role of this -- and the role of this report is a little different than the role that the Assemblyman would like us to play here. And I'm sure that there will be an opportunity, I think.

And one of the things that the Governor did talk about yesterday was not just the paying down of debt, but also looking at how we're going to issue debt in the future. And part of that could be a different role for this Commission. We don't know where we're going to come out on this, but there could be a different role for this Commission in the issuance of debt, or it could be that all debt is going to be voter approved, or limited actions where it doesn't go to the voters. So I think that people have to look at the entirety. And I think to say that we're going to put $40 or $50 billion of -- nobody knows what the number is. That may not be a debt of the State. That may be a debt of somebody else. But what will happen, hopefully, is that we will see some reduction in this $32 billion number. The Governor has called for, roughly, a 50 percent reduction, which then that has a corresponding dollar-for-dollar effect to take down that 2.7 billion debt service number to something else. What it reduces it for has different -- plays differently, depending on what we reduce. If we reduce Transportation Trust Fund debt, we still have the constitutional dedication of the money, which then allows us to go out and roll that out a longer period of time. It doesn't necessarily give us budget relief, but it helps keep our transportation projects past this four years. But on the other side, if we take debt -- if we retire debt, that actually reduces general fund debt service costs. It helps us reduce that structural deficit, so that we don't have to make the choice between paying debt service or making sure that the Department of Children and Families has enough money to monitor kids; paying debt service or making sure that we can do extra classes for the State Police.

But as Assemblyman Cryan said, and the Governor has been clear -- it's been clear to me. I mean, you're welcome to my world. Try to find $3 billion out of really a $9 or $10 billion pot. It's not $3 billion out of a $33 billion pot, because nobody wants us to cut property tax relief.

It's also interesting to note that part of that $16 to $17 billion in property tax relief is some debt. Some of that is about whatever debt service is on school construction. The school construction program was done. We can argue about whether or not the money was spent appropriately. But at least on the suburban school district side, that was probably the largest property tax relief we've done in the last decade, because you are now (indiscernible) suburban 40 percent of every project. That's in this debt service. That's in this debt service number; it's also in our $16 to $17 billion number for property tax relief.

Transportation Trust Fund: Some part of the money we put out every year that is now mostly supported by debt -- given that I think the local program is $300 or $400 million -- the money that goes out to local governments to take care of their roads so they don't have to do it on their dime. So there is also a relationship between our debt service and our property tax relief. So I think -- I'd say welcome to my world about trying to find $3 billion of savings out of $10 billion of spending that's really there. I think that -- and everybody will realize, you can't do that. There has to be other things. We have to be able to say that hopefully-- We have to be able to say -- you know what, we can't say that debt service can't be cut any more. We've got to be able to say, "Can we get some savings out of debt service?" which then takes that number -- that $3 billion number -- down to something else, which allows us to not have to make-- Any savings we get out of debt service from restructuring, or whatever we do, means that the worst-- I'm not using -- I'm using a number, and say let's get you -- for every dollar you get of debt service savings, that takes the worst $1 of options you had on the spending reductions off the table. And I think that now it's there. And the Governor has been clear to me, and Assemblyman Cryan has heard it, that this is not just a one-trick pony. It's not just a debt really. It's not just restructure of debt. It's also, at the same time, looking at how we're spending money, where we're spending money. Yes, we do have to reduce the size of government -- we've already done it. I mean, we've gotten -- we have 2,000 less employees than we had when we came in, and it is really starting to impact the Departments on the hiring freezes, etc., and things.

So, I mean, this will be a complete look at how we're spending our money, where we're spending our money, and hopefully we get to some sound fiscal footing over the next couple of years. And it's not going to happen overnight. I mean, look at the numbers. Like I say, from 1992 on, again, in a-- We can each pick out the years in there where there is bipartisan approach. Somebody before talked about the tobacco settlement money and the debt for operating. Well, I'll add in -- pension bonds was the one that opened the door for anybody to ever even think about those issues. So, I mean, everybody in that period of time, from 1992 on, has been -- I'm not even going to use the word *guilty* -- has been a partner in that debt increase. Now, what's happened in that time period? We've had a Transportation Trust Fund that now provides $1.5 billion in transportation projects every year that helps the economy. We've had one of the largest school -- you know, again, was all of it spent wisely -- no -- on school construction? I don't think any of us will admit, but we've tried to fix it. All right, we've had that.

We've had $2 billion of Open Space money in that time period. So go back and start looking at -- and then say, okay, were these "bad" programs? Yes, there were some clearly bad issuance of debt during that period. And, yes, could people have decided in the '90s -- when we were getting hand over fist in revenue coming into the state, and-- Instead of creating new programs that we couldn't sustain on the State level, could we have used some of that money -- that hindsight now shows was one time, because it was due to a bubble in the stock market -- maybe we should have used some of that money for capital investment and not issued debt. But that was choices that were made. Choices that were made by the Legislature and the Governor, and then choices that the voter -- and the voters had to-- Even though the voters didn't get to approve much of that spending, they did on the Transportation Trust Fund, they did on Open Space. They ultimately got to approve who they wanted as their Governor and who they wanted as their Legislature. And if they didn't like those decisions that were made, they could have changed, and they did in a few instances.

So I'll just end it at that there. But I say, I still go back to -- I have the utmost respect for the Assemblyman. I know that next meeting will be his last meeting with us and everything. I think it's just one person who has always been consistent in his views.

Thank you.

MS. MOLNAR: Thank you.

Any other questions or comments?

Assemblyman Gregg.

ASSEMBLYMAN GREGG: I know everybody wants to get out of here, so I'm only going to make one comment just to be clear; and I thank you for those kind words. That I started in 1992 discussing the report, knowing full well that this has been a bipartisan road. And it's easy for me to say now. And I think it's critical to the State, its welfare, and its health in the future that we realize that it was a bipartisan road and have the courage to just say, "stop the madness." Because at some point, it has to stop. There were three out of four budgets in the early '90s, they were smaller than the year before, or equal to. I mean, it can be done. It's not easy, and it will be a slow process of saying, just like a homeowner, "I'm going to throw this credit card away. I'll keep the other two, and I'll throw this one away." And it's not going to happen overnight. It's not going to be slash and burn. But if we don't start getting our fiscal house in order and stop using gimmicks, whether they were gimmicks of Republicans or gimmicks of Democrats, that we're not going to have a state people want to move into. It's going to be a state people want to move out of. And again, I thank you for the nice comments, and I hope this Commission continues to move forward in that direction, as well as the Legislature and the administration.

MS. MOLNAR: Okay.

I think we have to vote on this.

MR. VARI: That's correct, Madam Chair.

We need a motion to vote on the New Jersey State debt report. Is there a motion?

ASSEMBLYMAN CRYAN: Motion.

MR. VARI: Is there a second?

MR. ROUSSEAU: I'll second it. The motion is to accept the report.

MR. VARI: Yes, to accept the report.

MR. ROUSSEAU: You don't necessarily have to agree with all the concepts in the report, but to accept the report.

MR. VARI: And we do have a letter from Senator Littell, whose vote is to accept the report.

On the motion, Senator Littell is a yes.

Assemblyman Cryan.

ASSEMBLYMAN CRYAN: I'm looking forward to January 8. Yes.

MR. VARI: Assemblyman Gregg.

ASSEMBLYMAN GREGG: Being consistent, no.

MR. VARI: Mr. Rousseau.

MR. ROUSSEAU: Yes.

MR. VARI: Mr. Brune.

MR. BRUNE: Yes.

MR. VARI: Mr. Donnelly.

MR. DONNELLY: Yes.

MR. VARI: Mr. Annese.

MR. ANNESE: Yes.

MR. VARI: Chairwoman Molnar.

MS. MOLNAR: Yes.

MR. VARI: Madam Chair, the motion passes.

MS. MOLNAR: Thank you.

I'd like to thank Nancy Feldman and your staff. It's always a pleasure.

MS. FELDMAN: Thank you.

MS. MOLNAR: See you next year.

We still have one more Department to do -- that's the Office of Information Technology. I'd like to welcome Ronald Stewart, Chief Administrative Officer.

Good morning.

RONALD W. STEWART: Good morning.

Thank you, Chairwoman Molnar, Executive Director Vari, and Commission members for the opportunity to address this session of the capital appropriations Commission on behalf of the Office of Information Technology.

My name is Ronald Stewart, and I am the Chief Administrative Officer for the Office of Information Technology. Seated with me today is Ann Timmons, our Chief Financial Officer. Also accompanying me today, to address any detailed technical questions, is Hagen Hottmann, our Director of Infrastructure Systems Support; Gloria Broeker, our newly appointed Statewide Data Center Optimization Officer; and Gary Alpert, our Manager of Budget.

We are pleased to appear before you today and to have this opportunity to present our FY 2009 capital commission requests, and perhaps provide a greater insight into the topic of information technology.

It is important to note that there are at least five constants in the delivery of information technology services and solutions to our state business community. These are: that technology evolves daily and significant breakthroughs are introduced almost every six months. We are continually evaluating these breakthroughs to determine their applicability and inclusion in our portfolio of IT services.

The demand for technology grows exponentially. Our planning is key to understanding and anticipating these growth needs to leverage statewide opportunities for collaboration.

When budgets shrink, technology demands are even greater. Oftentimes, the business community turns to IT to automate manual services to enhance its ability to meet demands with less staff.

Technology ages and needs upgrades or replacements every four to five years. Planning for balanced replacement strategies, including stable funding sources, is critical to ensure technology services are maintained.

And finally, technology is expensive, so we must plan wisely in concert with bodies such as yourself to ensure wise spending and leveraging every opportunity to reduce costs.

Under the State's new public law 2007.c56, we see OIT's responsibility is to ensure the maintenance of our infrastructure and anticipate, through detailed planning, our ability to provide scalability to accommodate growth demands and continue stable and uninterrupted utility services. I use the words utility services to exemplify expectations of IT. IT is always there providing connectivity, e-mail, and related services that the State has come to expect to rely on daily to manage and deliver their services.

We have taken a different approach this year with regard to our requests. We have focused our attention on presenting infrastructure items that strictly meet the criteria for consideration for capital funding. We've been careful not to include operational needs, and to focus solely on infrastructure utility services.

Our three requests before the Commission today address maintenance and expansion to infrastructure items that include the finalization of the OARS initiative; incremental growth in Data Storage and Backup infrastructure; and finally, continued upgrades and expansion of the Garden State Network. All of these OIT considers its core utility services to the State's Executive Branch.

Our first request concerns our New Jersey Application Recovery Center, JNARC, a new name, formally called OARS. We feel it's about time that we change that acronym. We are committed to closing out this initiative in 2009, and are requesting consideration for $6.25 million to complete this project.

OIT has made great strides in this area over the past year. We have completed several key components of our original mandate of the OARS site, which was to provide redundancy for the Garden State Network, a redundant Internet connection, redundancy for the State's portal, and a redundant data back-up repository of OIT's mainframe SAN environment, with full back-up capability of our mainframe applications. These accomplishments were employed over this past Columbus Day weekend, when we powered down the SAC data center for electrical upgrades. The OARS site was able to provide redundant operations of the GSN and portal, as well as Internet connectivity, e-mail traffic, and full mainframe data redundancy.

The funding request before you today will predominantly be used to purchase and install a redundant SAN that will provide full data recovery for the OIT-managed shared server infrastructure, the environment which includes mission-critical applications currently running at the HUB and SAC data centers.

Using existing funds, we will complete our initial mandate in the completion of the installation of redundant servers that will support the remainder of our OIT-operated, mission-critical, shared server applications from the HUB and SAC data centers.

Your funding today will provide the final funding necessary to make this a reality and facilitate our closing this project successfully. Our future vision of the formally referred to OARS site to the New Jersey Applications Recovery Center, NJARC, may employ daily transactional processing in time, as well as full failover for mission-critical applications. Failure to fund this initiative will slow OIT's ability to provide these services and close out this initiative in 2009.

We are requesting 6.1 million for the continued growth and expansion of our production SAN environment. Our production data storage and back-up infrastructure strategy has evolved. The need to provide the most reasonable cost-related storage services has prompted OIT to adopt an industry standard approach to a tiered data storage model. This allows us to provide storage at three cost levels, ranging from immediate and redundant availability, to as little as lower-level access with hours-to-days redundancy for restoration. This allows us to tailor the needs to the customer, and charge for what they need and use. Incremental growth continues in this environment, including migration from transaction-based data files to data warehousing, providing endless data access opportunities to our clients. Where large scale growth can be attributed to specific dedicated or federally funded partners, we leverage these funding opportunities.

The key here is related to the underlying infrastructure that supports the tiered storage. Oftentimes, we collect funding from clients for direct data storage needs. However, the shared infrastructure upon which the data resides is more elusive to bill to these entities up front. Limitations in the use of such infrastructure purchased by Federal or dedicated funding prompts us to build this up front and bill back over time, thus allowing us to maximize the flexibility in the use of this infrastructure.

Incremental growth accounts for the significant needs in this area, and hence requires funding from the Capital Commission to build out the future needs to be ready to provide service on demand. Your dollar investment in this area will prevent loss of productivity and promote usage, sharing, and backup of data; and having these resources available when needed.

It should be noted that growth in this area, although appearing significant, is really a tribute to the fact that OIT has provided this utility service to all Executive Branch agencies in favor of their pursuing separate expensive and not fully leveraged individual investments. OIT is proactive in denying such future purchasing at the agency level and encouraging use of the enterprise SAN.

Failure to fund this initiative would result in slowed growth and limited resources being provided to support the State's data needs, and may conversely promote increased agency growth to obtain their objectives.

Finally, the Garden State Network: We are requesting 4.2 million to upgrade and modernize the Garden State Network. The Garden State Network continues to grow and expand. As our business community expands its delivery of services through technology, demands on the network that can carry more data grows. This equates to greater bandwidth demand between agencies, governmental entities, and business and citizen services delivered online. It is a growing expectation that State information and business be conducted electronically. Hence the need to continue to expand, modernize, and provide highly secure data delivery through our network.

This year we are requesting growth funding in three specific areas under the GSN. These are: The need to modernize our existing network with newer technologies and leverage the State's fiber investment, which would provide greater carrier bandwidth, which conversely reduces costs and reliance on traditional leased data lines.

Our data center connectivity involves a complex web of interconnections, which provide access to our servers, storage area networks, and other peripheral equipment. These interconnections, consisting of routers, switches, ports, etc., are overburdened as demands grow and servers are added. In order to ensure timely throughput and access to these resources, we must continually expand on the interconnecting infrastructure.

As the size and complexity of our network grows, so too must a consummate investment in corresponding security and management tools used to detect and thwart intrusions and viruses.

We are requesting your continued support in the area of infrastructure so that we can continue to deliver and expand services across our network in a stable and secure environment.

We have provided detailed submissions for your review and consideration, which provide greater background on these three submissions. We are available now to address any of your questions or concerns relating to these requests, and invite your comments.

Thank you for your careful consideration of these initiatives.

MS. MOLNAR: Thank you.

I had a question -- not directly about your presentation. On Human Services, was OIT involved at all with the SACWIS system?

MR. STEWART: Yes, we were. We were brought in probably what you'd consider late in the game. And we were actually providing support through direct management and project management through our PMO office. I know this is a high priority for Adel, and he's been working very closely with Commissioner Ryan over the past year to get us to the point where we actually implemented in that April time frame. So we are involved with the project, yes.

MS. MOLNAR: Have you made recommendations as well?

MR. STEWART: Yes, we have. I mean, I know Adel preferred to address most of those questions directly with you, and I can carry some of those questions back. But I do know that we've been working very closely with Commissioner Ryan and all the appropriate parties on making recommendations as to whether to continue the project, whether to continue to support it, or to move forward, yes.

MS. MOLNAR: Good.

Thank you.

Any questions or comments?

Assemblyman.

ASSEMBLYMAN CRYAN: Well, let's be clear, on spirit you guys were in late--

MR. STEWART: That's correct.

ASSEMBLYMAN CRYAN: --or way late, way over budget.

MR. STEWART: That is correct.

ASSEMBLYMAN CRYAN: And the bottom line to it is CGI, as you probably heard earlier, is pulling out staff, and you folks, as I understand it, aren't in a position to go in and fill that need right now. Is that correct?

MR. STEWART: I'm not sure I heard the question.

ASSEMBLYMAN CRYAN: You can't do CGI's work on fixing code?

MR. STEWART: That's correct. We are not in a position to take on that effort.

ASSEMBLYMAN CRYAN: Okay. So the bottom line to it is, CGI, for lack of a better way to put it, has us. You can fill in the rest of it, knowing that's correct.

MR. STEWART: That's correct. And we really need to press them to provide the support they should.

ASSEMBLYMAN CRYAN: I thought -- I don't think -- I'm sure that, from the Budget Committee last year and from Adel's leadership, that we were looking at having a consolidated OIT plan for the State.

MR. STEWART: That's correct.

ASSEMBLYMAN CRYAN: Okay. Two weeks ago, or whenever our last meeting was, DEP came in -- I think it was DEP, right? -- and talked about their e-mail system being somewhere around a decade, decade-and-a-half old, some ancient thing. One, I'm curious as to why that would come through DEP as opposed to you. Maybe you could explain that for me?

MR. STEWART: Yes. Basically, we've been going through detailed planning for consolidation. And our first--

ASSEMBLYMAN CRYAN: Is your light on, the red light? (referring to PA microphone)

MR. STEWART: Yes, it is. Can you hear me?

ASSEMBLYMAN CRYAN: Speak up a little bit.

MR. STEWART: Is that working?

ASSEMBLYMAN CRYAN: Yes, that's fine.

MR. STEWART: Okay. Yes, we've been going through detailed planning. And we had scheduled and we're actually working with the Department of Transportation and Motor Vehicle services as our first client to be consolidated. Throughout the process we've been dealing with requests coming in from various agencies.

ASSEMBLYMAN CRYAN: Is the DOT and Motor Vehicle Commission -- are your first two priorities, in terms of consolidating with OIT? Is that correct?

MR. STEWART: They were the first ones we're looking at in our plan, yes.

ASSEMBLYMAN CRYAN: Okay. Just out of curiosity, when does DEP's e-mail fit into the list?

MR. STEWART: Well, the DEP e-mail system -- they're looking at going to an exchange environment, and that is consistent with the approach that we're going from a statewide perspective.

ASSEMBLYMAN CRYAN: Okay. But what I don't get is, the whole idea here was to not have boondoggles like SACWIS any more, and a couple others. That was the whole idea. So I thought that -- I didn't think -- I know, again, that we had talked about the idea of consolidating things, requiring OIT approval for any project moving forward.

MR. STEWART: That's correct.

ASSEMBLYMAN CRYAN: Now, when DEP came in, or maybe I just didn't see the sheets, but did OIT approve that request, review it, and do all that?

MR. STEWART: Yes, we had looked at it and reviewed, and it was consistent with the future direction, meaning that they were going to go with an exchange environment.

ASSEMBLYMAN CRYAN: And when you talk about consolidation and looking at Motor Vehicle -- which by the way just had a significant technology investment with the digital licensing and the rest, correct?

MR. STEWART: That's correct.

ASSEMBLYMAN CRYAN: Why were those-- I don't understand what consolidated means with those departments versus any other department. Can you explain that to me?

MR. STEWART: It has more to do with timing and logistics. We are in the process of actually setting up a statewide environment for an exchange e-mail system. When that environment becomes available, we will be able to migrate DEP, as an example, over to that environment. So the investment that we're making, or they're considering making in their e-mail system, will buy the licensing which will be transferable. So we will not lose any dollars on that investment.

ASSEMBLYMAN CRYAN: Okay. And your overview of the other departments-- How many other things do we have, like -- 15 years, wasn't it, she said, if I remember right? Their e-mail system was like 15 years old. How many other departments have systems that are so far out of date like that.

MR. STEWART: There are several of them. And that's--

ASSEMBLYMAN CRYAN: Okay. Through the Chair, I'd like to ask that you provide it to us, rather than wait for next year.

MR. STEWART: Yes, I can.

ASSEMBLYMAN CRYAN: And let me jump along to you and then get-- I know everybody is-- OARS. One of the things I-- Is OARS on schedule? Whose schedule, like-- You know, we do a lot of money and we never review OARS. ARC -- I guess you need an oar to float an ark. (laughter)

MR. STEWART: Yes, exactly.

ASSEMBLYMAN CRYAN: When do we get an overview? Who runs the show in that thing? Who sees the dollars and who sees the schedule?

MR. STEWART: Well, OIT manages it. I mean, the individual I brought today, Gloria Broeker, is actually personally responsible for that site, and she's with me today.

ASSEMBLYMAN CRYAN: Well, great. Well, through you, let me ask Gloria-- I'll ask for myself, and imagine the Commission members, as well--

MR. STEWART: Sure.

Gloria.

ASSEMBLYMAN CRYAN: Are we on the original schedule for OARS or ARC?

G L O R I A B R O E K E R: Good afternoon.

OARS is currently on a schedule. When I joined the project a year ago, it was behind schedule. The current project plan, in the delivery for the capabilities that exist for that facility, are on schedule.

ASSEMBLYMAN CRYAN: Okay. They're on the revised schedule. How different is the revised schedule from the original?

MS. BROEKER: It's probably two years.

ASSEMBLYMAN CRYAN: And is there-- You're two years late, and I'm going to go ahead and make a leap that that requires additional cost. Would that be correct, or we're at two years and we're exactly the same cost?

MS. BROEKER: I'm not sure it would require additional costs, Assemblyman, primarily because the facility was not prepared, so there were no investments being made.

ASSEMBLYMAN CRYAN: So it sat, because we weren't ready for it?

MS. BROEKER: That's correct.

ASSEMBLYMAN CRYAN: Okay. Through the Chair, I'd like to ask you for a copy of the schedule of OARS and a cost expenditure. I understand that there's confidentiality issues here. We all get that. But we still have an oversight obligation. And I'd like to get a feeling as to where this, ARC, OARS -- I don't care what acronym you come up with -- I want to get a feeling as to where the dollars are going, where we are on the schedule, how we can manage it. And frankly, I'd like to ask, through the Chair as well, for a quarterly update. It doesn't seem unreasonable for the amount of-- How much money do we put into ARC?

MS. BROEKER: Okay. Let me divert that to Ann -- I know how much we--

ASSEMBLYMAN CRYAN: To make the oar and ark, how much was it?

A N N T I M M O N S: The total appropriations to date?

MS. BROEKER: Twenty-three-point-five is what -- through FY '07. We've got 4 million in FY '08, that's sitting out there. There's a schedule--

ASSEMBLYMAN CRYAN: So you got four, and then you're asking for -- how much -- another six and change. So for 35 million we could get a schedule and stuff, right?

MS. BROEKER: Yes, sir.

ASSEMBLYMAN CRYAN: Okay. And a quarterly report, I think, is reasonable to ask for, if that's okay with the Commission members? I'm looking around -- I hope so. Just -- understand there's confidentiality issues.

And another couple issues. The Garden State Network, the library folks -- do you know where the issue with IT in the State Library and this million dollars that they need -- that the librarians are going insane over it. Businesses utilize the network -- are you aware of this?

MR. STEWART: I'm not personally aware of it, no, but I could find out.

ASSEMBLYMAN CRYAN: Businesses utilize this network that only needs another million, and it shows for all sorts of different reasons that businesses use it. You don't know what I'm talking about?

MR. STEWART: No, I don't.

MS. MOLNAR: What network?

MR. LeBLANC: It's the Knowledge Initiative.

ASSEMBLYMAN CRYAN: The knowledge thing, that's it. Yes.

MR. LeBLANC: The Knowledge Initiative.

ASSEMBLYMAN CRYAN: The Knowledge Initiative. Does that have any relation to the Garden State Network whatsoever?

MR. STEWART: I'm not really sure what that is, so I can't comment on it.

ASSEMBLYMAN CRYAN: Through the Chair, I'd like to ask that in your leadership role in OIT, and looking at the cost benefits of the Knowledge Initiative, which as I understand it -- we didn't do the Joint Budget meeting the other day -- whatever the story was. It's a million bucks, right?

MR. LeBLANC: They're looking for a million more.

ASSEMBLYMAN CRYAN: They're looking for a million more or the well runs dry in February, right?

MR. LeBLANC: That's correct.

ASSEMBLYMAN CRYAN: So what I'm asking is you, as the OIT guru here, take a look at it and see whether you can find a million bucks, one; or two, let us know whether it's something we need to invest in here. All right? And without the cost benefit-- Because as I looked at the Garden State Network issue here, it sure seemed to me that the Knowledge Initiative fit the same parallel goals as the Garden State Network.

Let me ask you one other question. Is there any other OIT system in any department that is either -- that is significantly overrun or is significantly behind schedule that this Commission, or frankly the public, should be aware of?

MR. STEWART: The only one that comes to mind is New Jersey Success. New Jersey Success should probably be watched, and we are very involved with that one.

ASSEMBLYMAN CRYAN: So what's New Jersey Success?

MR. STEWART: That's the new Labor system.

MS. BROEKER: The unemployment.

MR. STEWART: The unemployment system, right.

ASSEMBLYMAN CRYAN: Oh, the Labor, with going out into the field, and the reports, and all that. So where are we on New Jersey Success?

MR. STEWART: They're well into the design and definition stage. I believe they are falling a little behind. I believe there are some potential overruns because of out-of-scope items. And I know they're going back and forth in discussions on that, the details of which I don't--

ASSEMBLYMAN CRYAN: Okay. Through the Chair, I'd ask that you give the Commission members a basic overview of New Jersey Success.

MR. STEWART: Be glad to.

ASSEMBLYMAN CRYAN: And -- sorry to set you up like that, but you know, I'm tired of having to search for things.

MR. STEWART: That's okay. That's what we're here for, so--

ASSEMBLYMAN CRYAN: Are you guys in charge of New Jersey Success?

MR. STEWART: No.

ASSEMBLYMAN CRYAN: So this doesn't fit the -- this is part of the old way, for a lack of a better way to put it?

MR. STEWART: That is correct. It was a project started under the old philosophies, and we're more involved with it.

ASSEMBLYMAN CRYAN: How long ago did it start?

MR. STEWART: About three years ago.

ASSEMBLYMAN CRYAN: Okay. And this is the thing where they have field reports that come back and the unemployment-- Define the scope of it, what's it doing?

MR. STEWART: It's basically a rewrite of their unemployment system, which involves technology being distributed to all the outlying remote sites and feeding back into the main system, and then making selections and payouts.

ASSEMBLYMAN CRYAN: I appreciate your time, and I appreciate the information that you're going to provide us.

Thank you.

Thank you, Chair.

MS. MOLNAR: Any other questions?

Mr. Brune.

MR. BRUNE: One point to the Assemblyman, to remind him. Maybe it was something we talked about in the past. All the IT projects that come to us from the departments -- we do habitually send to OIT to get their feedback on. So we do the same with Energy -- to the Office of Energy Savings in Trenton. So that is going on.

A question to -- two questions, actually, to Ron. On the DEP situation, where we talked about the e-mail and the licensing -- I think they asked for $300,000 -- forgive me if you've already provided this to us; but it would be helpful to know if there's any other DEPs out there that are going to be asking us for licensing money for e-mail consolidation.

MR. STEWART: There are a number of other departments, such as DOT and Motor Vehicles -- they are on a group-wise system. They want to also migrate over to the exchange e-mail. They were holding back, and we're actually going to be putting them on that new shared server infrastructure that we're putting in. So we are already targeting them for an upgrade into that, for which the resolution dollars actually applied some funding.

MR. BRUNE: So we're just looking for a full roster or a list of those that might -- like an early warning here.

MR. STEWART: Yes. We'll be glad to provide that to you.

MR. BRUNE: And the other thing is, again if you could provide us with this -- but for each priority, could we get a detailed budget? And I'll give you an example: On the third priority, it seems to be three things, right? Security, the network, the fiber optic -- we need to know how much goes in each direction. Okay?

MR. STEWART: Okay, that's fine. We'll be able to give you that.

MR. BRUNE: Great.

Thank you.

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

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

Now, is there any other new business, anyone -- or old -- anyone wants to bring up? (no response)

Our next meeting is December 7, when we will make our recommendations to the Governor.

No other comment, meeting adjourned.

(MEETING CONCLUDED)