
Commission Meeting

of

NEW JERSEY COMMISSION ON CAPITAL BUDGETING AND PLANNING

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

DATE: December 10, 2004
9:30 a.m.

MEMBERS OF COMMISSION PRESENT:

B. Carol Molnar, Chair
Robert A. Roth, Vice Chair
Senator Wayne R. Bryant
Senator Robert E. Littell
Assemblyman Joseph Cryan
Anthony F. Annese
Patrick R. Brannigan
Gary Brune
A.J. Sabath



ALSO PRESENT:

Beth Schermerhorn
(Representing Assemblyman Guy R. Gregg)
David Rousseau
(Representing John E. McCormac)

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

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

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(The New Jersey Commission on Capital Budgeting and Planning held a teleconference meeting on December 10, 2004, at 9:30 a.m. Members of the Commission present via teleconference were Senator Robert E. Littell, Assemblyman Joseph Cryan, and Anthony F. Annese.)

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

In accordance with the Open Public Meeting Law, the Commission has provided adequate public notice of this meeting by giving written notice of the 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 will now take the roll call.

MR. LIHVARCHIK (Executive Director): Senator Littell.

SENATOR LITTELL: Yes, here.

MR. LIHVARCHIK: Thank you.

Senator Bryant.

SENATOR BRYANT: Present.

MR. LIHVARCHIK: Assemblyman Cryan.

ASSEMBLYMAN CRYAN: Yes.

MR. ROTH: You may have to move that up here. They can't hear us. (referring to telephone)

MR. LIHVARCHIK: Mr. Sabath.

MR. SABATH: Here.

MR. LIHVARCHIK: Mr. Brune.

MR. BRUNE: Here.

MR. LIHVARCHIK: Mr. Roth.

MR. ROTH: Here.

MR. LIHVARCHIK: Mr. Annese.

MR. ROTH: Mr. Annese should be on the phone there, too.

MR. LIHVARCHIK: Mr. Annese. (no response)

We're still in the process of taking the roll.

Mr. Rousseau.

DEPUTY TREASURER ROUSSEAU: Here.

MR. LIHVARCHIK: Mr. Brannigan.

MR. BRANNIGAN: Here.

MR. LIHVARCHIK: Chairwoman Molnar.

MS. MOLNAR: Here.

MR. LIHVARCHIK: Chairwoman, we have nine members present.

We have a quorum.

MS. MOLNAR: Thank you.

The next item is the Executive Director's report.

Do you have anything to report today?

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

For Fiscal 2006, the various departments requested \$1.7 billion in capital funding. The amount recommended by the Commission is \$1.043 billion, which is \$9 million less than the Fiscal 2005 capital recommendation of \$1.052 billion.

For Fiscal 2006, funding for mandated programs from dedicated sources totals \$983.7 million, as compared to \$995.2 million last year, a

decrease of \$11.5 million. And, basically, this difference is the result of fluctuations for programs funded from the Corporate Business Tax. That is, rather than a fixed amount, these programs receive 3 percent of the tax collections. Discretionary funding for Fiscal 2006 totals \$59.1 million, an increase of \$2.3 million over last year's recommendation of \$56.8 million.

As with previous years' recommendations, basically Commission staff looked at requests supported by dedicated funding sources, such as Open Space, private underground storage, hazardous waste cleanup, transportation; requests funded for critical life, health, and fire safety; and requests requiring a State match to draw down Federal funds.

It should be noted that this report just covers Commission recommendations. And as you can see, we're pretty consistent with what we recommended last year.

That concludes my report.

MS. MOLNAR: Thank you.

Next item is the approval of the minutes from October 29 and November 11 (*sic*). Do I hear a motion to approve.

DEPUTY TREASURER ROUSSEAU: So moved.

MR. ROTH: I'd like to vote on them separately, please.

MS. MOLNAR: Okay. First, we'll vote on October 29, 2004.

MR. ROTH: I move for approval.

MR. BRANNIGAN: Second.

MS. MOLNAR: Okay. Take a roll.

MR. LIHVARIK: Senator Littell.

SENATOR LITTELL: I'm sorry, I missed that.

MR. LIHVARCHIK: This is the approval of the October 29 minutes of the Commission hearings.

SENATOR LITTELL: Oh, yes.

MR. LIHVARCHIK: Thank you.

Senator Bryant.

SENATOR BRYANT: Abstain.

MR. LIHVARCHIK: Assemblyman Cryan.

ASSEMBLYMAN CRYAN: I vote yes, if you can -- if you said my name.

MR. LIHVARCHIK: Thank you.

Mr. Rousseau.

DEPUTY TREASURER ROUSSEAU: Yes.

MR. LIHVARCHIK: Mr. Sabath.

MR. SABATH: Yes.

MR. LIHVARCHIK: Mr. Brune.

MR. BRUNE: Yes.

MR. LIHVARCHIK: Mr. Brannigan.

MR. BRANNIGAN: Yes.

MR. LIHVARCHIK: Mr. Roth.

MR. ROTH: Yes.

MR. LIHVARCHIK: Mr. Annese.

MR. ANNESE: Yes.

MR. LIHVARCHIK: And Chairwoman Molnar.

MS. MOLNAR: Yes.

MR. LIHVARIK: Nine members voted yes. The minutes are approved.

MS. MOLNAR: Okay. We'll now vote on the November 11 minutes.

MR. ROTH: I have a correction to the minutes, and also a point of order.

On Page 96, we're looking at what I'm being quoted as saying about midway through the paragraph. It uses the term *innerconnection*. It should be *interconnection*, inter. And on Page 98, the last line of the second paragraph reads, "and properly stored in assorted." It should read, "and properly stored and sorted."

MS. MOLNAR: Okay. Thank you.

MR. ROTH: Now, the point of order I have to make is the following: I respectfully request the members of this Commission, who voted on the debt report last year -- last meeting, as reflected in these minutes, to withdraw their votes on the grounds that there's a perceived conflict of interest for all of you, since you all report to Treasurer McCormac, and this report bears his name.

MS. MOLNAR: Okay.

I guess, technically, we're not agreeing with the report. We're just accepting it into the minutes. But we will take your comments under advisement.

Perhaps we could have the AG, over the next couple months, take a look at voting procedure and see if it would make sense for them to abstain on something like that.

Any comments or questions on the minutes? (no response)

If not, do I hear a motion to approve?

MR. BRANNIGAN: So moved.

MS. MOLNAR: Second?

DEPUTY TREASURER ROUSSEAU: Second.

MS. MOLNAR: Okay. We'll take a vote.

MR. LIHVARIK: Senator Littell.

UNIDENTIFIED SPEAKER: Excuse me, we cannot hear that woman. What is she asking for approval on?

MR. LIHVARIK: Approval of the November 11 Capital Commission minutes.

MR. ROTH: November 12.

MR. LIHVARIK: November 12, I'm sorry.

SENATOR LITTELL: Yes.

MR. LIHVARIK: Thank you.

Senator Bryant.

SENATOR BRYANT: Abstain, because I wasn't here.

MR. LIHVARIK: Assemblyman Cryan.

ASSEMBLYMAN CRYAN: Hi, this is Joe Cryan. I'm back on the line.

MR. LIHVARIK: Yes, Assemblyman, we're taking a vote to approve the minutes of November 12.

ASSEMBLYMAN CRYAN: Right.

MR. LIHVARIK: Thank you.

Mr. Rousseau.

DEPUTY TREASURER ROUSSEAU: Yes.

MR. LIHVARCHIK: Mr. Sabath.

MR. SABATH: Abstain.

MR. LIHVARCHIK: Mr. Brune.

MR. BRUNE: Yes.

MR. LIHVARCHIK: Mr. Brannigan.

MR. BRANNIGAN: Yes.

MR. LIHVARCHIK: Mr. Roth.

MR. ROTH: No.

MR. LIHVARCHIK: Mr. Annese.

MR. ANNESE: Yes.

MR. LIHVARCHIK: Chairwoman Molnar.

MS. MOLNAR: Yes.

MR. LIHVARCHIK: Chairwoman, the motion passes. The minutes are approved.

MS. MOLNAR: Thank you.

I neglected to welcome our newest member, A.J. Sabath, our Deputy Commissioner for the Department of Labor.

Welcome aboard.

Okay. The next item is the approval of the debt report.

I have a request from the Mayor of Bogota, Mr. Lonegan, who'd like to make a two minute statement. I'd like to welcome him.

MAYOR STEVEN LONEGAN: Would you like me to sit?

MS. MOLNAR: Yes, please have a seat.

Thank you.

MAYOR LONEGAN: Madam Chairwoman, ladies and gentlemen of the Commission--

DEPUTY TREASURER ROUSSEAU: Madam Chair, first, a point of order.

I don't know if anybody was notified that we were going to have public testimony today on the debt report. I think this is-- I've been involved in the Commission now for 10 or 12 years, and this is the first time we've had, I believe, anybody from the public testify on any issue except, possibly, a Building Authority project, where it was involved in the town that it was at. I don't know how the Commission feels about actually taking testimony on this issue.

SENATOR BRYANT: Take a vote.

DEPUTY TREASURER ROUSSEAU: This is a major change in procedure.

MR. ROTH: I believe the change in procedure is in order because of the change in State law which requires all public meetings to have a public -- a portion open for public comment.

MS. MOLNAR: And I felt, rather than making the gentleman wait to the end, it might make sense to just do it early on.

Mr. Lonagan has indicated he was going to keep it to less than two minutes.

MAYOR LONEGAN: Yes, ma'am.

I'm Steve--

Folks, just so you're understanding my background in this, I'm the plaintiff in Lonegan I and Lonegan II versus the State of New Jersey, for bonding without voter approval by the authorities.

MR. ROTH: Please use the microphone.

MAYOR LONEGAN: Oh, is it not--

I'm Steve Lonegan, the Mayor of Bogota. My background is, I was the plaintiff in Lonegan I and Lonegan II versus the State of New Jersey on the practice of bonding without voter approval and, recently, in Lance, Lonegan, et al, versus McGreevey in bonding for current expenses. So I've had a vested interest in the State's debt structure for quite a while.

I'd like to request that this Commission does not accept this report from Mr. McCormac on the State's debt structure for a number of reasons. Number one, it does not fully and accurately depict the dismal condition of the State's current debt situation.

A couple of examples are: This report fails, for example, to lay out an additional \$600 million plus in principal and interest payments on debt that will be coming due in the year 2007, on such bond issues as the current deficit bonds, some DOT bonds, and all -- and others that's not projected in this report. This report doesn't even deal with yesterday's refinancing of over a billion dollars in debt, which provides for a short-term relief but, in the long-term, will cost taxpayers over \$100 million. That's not even addressed in this report's structure.

Additionally, the report's debt management principle page is pure fantasy. I won't go into each one of the five principles. I will however tell you

that you accepted a similar report two years ago with similar principles, all of which were abandoned immediately.

And last -- and, again, I won't go into too much detail in this. I could talk about it all day. This report fails to address over \$10 billion in unfunded liability, ladies and gentlemen, for the State's upcoming commitments for medical benefits, for life, for a number of State employees in pension years. And it's not addressed at all in any aspect of the State's financial plan.

This Commission is charged with recommendations on capital improvements. To make those recommendations comprehensive and honestly, you need to have a true picture of where this State is, financially -- and debt wise. And as Thomas Jefferson so eloquently put it, a debt is the enemy of liberty. And in the years to come, as the chickens come home to roost, the planning that you're trying to do here today is going to be undermined, as well as we are, as the people of the state, financially.

I hope you will reject this report and ask Mr. McCormac to come back with a full, comprehensive, and honest report of the State's debt structure and our future.

Thank you for your indulgence.

DEPUTY TREASURER ROUSSEAU: Madam Chair, before we--

MS. MOLNAR: Sure.

DEPUTY TREASURER ROUSSEAU: --before I move the acceptance of the report, I'd just -- to react to a couple of the comments.

The report does accurately reflect the State's debt position as of June 30, 2004. And that is the Commission's charge, annually, to do a debt report based on the close of the fiscal year. Of course, when we write-- Any

report that's ever written, the day that it's written, there is additional information after that point in time. I believe there is a supplement to the report, in the actual report, that shows the debt that has been issued since June 30.

Is that correct, Mike?

MR. LIHVARIK: Yes.

DEPUTY TREASURER ROUSSEAU: So I take offense to -- that it doesn't accurately reflect the State's debt picture. It does. As of the date of-- The statute says an annual report on the State's debt structure. Tradition has been-- It's always-- Annual reports are usually done at the end of a fiscal year.

On the other issues, I'll just let them stand as they are, from a gubernatorial candidate, and let it go at that.

MS. MOLNAR: He mentioned the refunding, yesterday, of a billion--

DEPUTY TREASURER ROUSSEAU: Technically, the refunding has not been done. All that happened yesterday was, the Joint Budget Oversight Committee gave authority for refunding. Even if we were doing a report, as of today, that is not a debt that has been issued by the State yet. That debt won't be issued, if it's issued at all -- will not be issued until January. The debt can only be issued if there is a savings. So it wouldn't be-- Even if we were doing a report as of today, that item would not appear on the report. The Joint Budget Oversight gave approval for the Treasurer, if the market conditions warrant it, to do a refinancing. And, right now, that refinancing is scheduled for early January. So that wouldn't-- Like I said, even if we were doing the report as of today, that shouldn't even be added to the supplemental section of the report.

MS. MOLNAR: Is it possible, in January, if the debt is issued, to send the members an update, perhaps? Could you accommodate something like that?

DEPUTY TREASURER ROUSSEAU: Yes. I would have no problem agreeing to -- that every quarter or something -- that we do an update to that page of debt that's been issued since the fiscal year began, if that's something the Commission would like.

MS. MOLNAR: Do you know the magnitude of the refunding?

DEPUTY TREASURER ROUSSEAU: It's about \$800 million in principle. It has a present value savings of around \$3 million.

MR. ROTH: I'm sorry, \$3 million?

DEPUTY TREASURER ROUSSEAU: Yes.

MR. ROTH: That's less than one-third of--

DEPUTY TREASURER ROUSSEAU: Yes.

MR. ROTH: --of 1 percent.

DEPUTY TREASURER ROUSSEAU: Yes, it's approximately--

MR. ROTH: I thought the standard was to have a savings of 3 percent before you do a refunding.

DEPUTY TREASURER ROUSSEAU: The statute calls for a savings -- does not say-- I believe that--

MR. ROTH: Is this the first time you've ever refunded for less than 3 percent?

DEPUTY TREASURER ROUSSEAU: No.

SENATOR BRYANT: No.

As Chairman of the Joint Budget and Oversight Committee, it is not the first time. That was one of the questions posed. We have done it for less than 3 percent, but there must be a savings. As a matter of fact, we have put a condition in that. If, in fact, interest rates go up, and there cannot be shown any savings, you cannot do the refunding bonds. The maximum exposure is around \$928 million. And I think what they're paying is around \$782 million, which is not the entire amount.

DEPUTY TREASURER ROUSSEAU: I'll move acceptance of the report.

SENATOR BRYANT: Second.

MR. ROTH: Point of order.

MS. MOLNAR: Yes.

MR. ROTH: I respectfully request Mr. Rousseau to decline from moving for this, because he has a perceived conflict of interest in that he works directly for Treasurer McCormac.

MR. BRANNIGAN: So moved.

DEPUTY TREASURER ROUSSEAU: I'll withdraw the motion.

SENATOR BRYANT: I second.

MS. MOLNAR: Do I hear a second to move non-treasury?

SENATOR BRYANT: Second.

MS. MOLNAR: All right, any other questions or comments? (no response)

If not, we'll take a vote on--

MR. ROTH: He withdrew the motion.

MR. BRANNIGAN: I moved it.

MS. MOLNAR: That's what I thought.

MR. ROTH: Mr. Brannigan, I believe you also work for Treasurer McCormac.

MR. BRANNIGAN: No, I don't. I work for the Governor.

MR. ROTH: You work for the Governor.

SENATOR BRYANT: All these individuals are appointed by statute. So, therefore, they have a right to vote. There's no ruling in this committee that they do not have a right to vote. They're pursuant to New Jersey statutes. So let's get on with allowing folks to vote so they can do it, because they are members pursuant to the statutes of the State of New Jersey.

MS. MOLNAR: Thank you.

Any other comments or questions? (no response)

We'll take the vote to accept the report into the minutes.

MR. LIHVARCHIK: On the motion to accept the debt report, Senator Littell.

SENATOR LITTELL: No.

MR. LIHVARCHIK: Senator Bryant.

SENATOR BRYANT: Yes.

MR. LIHVARCHIK: Assemblyman Cryan. (no response)

Mr. Rousseau.

DEPUTY TREASURER ROUSSEAU: Yes.

MR. LIHVARCHIK: Mr. Sabath.

MR. SABATH: Yes.

MR. LIHVARCHIK: Mr. Brune.

MR. BRUNE: Yes.

MR. LIHVARIK: Mr. Brannigan.

MR. BRANNIGAN: Yes.

MR. LIHVARIK: Mr. Roth.

MR. ROTH: No, with a comment.

I, again, point out that Mr. Rousseau voted against this report, and he works directly -- he voted for this report, and he works directly for the State Treasurer.

And my other comments are as follows: I have sent e-mail to Mr. Lihvarcik over the last several weeks, pointing out more details of my objections over the last several meetings to the fact that certain information was missing. I'm pleased to report, on the one hand, that I did, just this morning, receive the report on open spaces. But I am still waiting for a report showing comparative maintenance costs over the last 10 years.

And, furthermore, I believe this debt report is incomplete, in that in Section G, which provides for projected debt from 2005 to 2007--

SENATOR BRYANT: Madam Chair, I'm asking for a ruling.

MS. MOLNAR: Yes.

SENATOR BRYANT: We're having a vote. There is no comment on a vote. You either vote yes, you vote no. I want them stricken from the record. There is no such thing as a comment on a vote. You either vote or you don't.

MS. MOLNAR: I believe Mr. Lihvarcik has your comments. Perhaps he can look at the missing information so that next year, the info can be included.

MR. ROTH: There's \$2.3 billion missing from Section G.

SENATOR BRYANT: Madam Chair, we're in the middle of a vote.

MS. MOLNAR: If you want to--

Let's take a vote.

Do you want to vote for or against?

MR. ROTH: I voted no.

MS. MOLNAR: Okay.

MR. LIHVARCHIK: Mr. Annese. (no response)

Chairwoman Molnar.

MS. MOLNAR: Yes.

MR. LIHVARCHIK: Chairwoman, we have eight votes in the affirmative. The motion passes.

MS. MOLNAR: Okay. Thank you.

MR. LIHVARCHIK: Mr. Cryan is on the phone.

MR. ROTH: Madam Chair.

MS. MOLNAR: Yes.

MR. ROTH: I'd also like the Commission to request the Attorney General to review the votes made here today to exclude any of them in which the members may have a perceived conflict of interest due to their employment with the State and/or the Department of the Treasury.

MS. MOLNAR: Okay. We will get a legal opinion from them and circulate it to the committee members.

SENATOR BRYANT: Madam Chair, is that in the form of a motion? We only act through motions and votes. And then you'll need a second.

MS. MOLNAR: Okay. Do I have a second to have the Attorney General's Office look at the voting pattern and what -- who and who cannot vote for certain issues?

MR. ROTH: I would move it.

MS. MOLNAR: Any seconds? (no response)

SENATOR BRYANT: Seeing none, it fails.

MS. MOLNAR: Okay.

The next item--

We have Mr. Cryan on this phone. I don't believe we have Mr. Annese, anymore, on the phone.

MR. LIHVARIK: Mr. Annese.

MR. ANNESE: Yes.

MS. MOLNAR: Oh, I'm sorry.

We will begin our Fiscal 2006 capital recommendations.

MR. LIHVARIK: Mr. Annese, we're about to embark on the capital recommendations. Did you want to make a statement on how you wanted to vote on this?

MR. ANNESE: I'm having a hard time hearing you.

MR. LIHVARIK: Did you want to make a blanket statement on how you wanted to vote on these recommendations, in the interest of time?

MR. ANNESE: I still can't hear you.

MR. LIHVARIK: Mr. Annese.

MR. ANNESE: Yes.

MR. LIHVARCHIK: We're about to undertake the actual recommendation process. Knowing that you're in Germany, did you want to make a blanket statement on how you wanted to address these?

MR. ANNESE: Yes. I want to vote to support the majority position of the board.

MR. LIHVARCHIK: Very good. Your approval is so noted.

MR. ANNESE: Okay. And any other issues that come up that require voting by the board, I want to vote with the majority.

MR. LIHVARCHIK: Thank you.

MS. MOLNAR: Okay. Mr. Annese.

MR. ANNESE: Yes.

MS. MOLNAR: There were two additional requests that we will discuss--

MR. ANNESE: I can't hear you.

MS. MOLNAR: There are two additional requests we will be discussing.

The Department of Human Services has asked for Priority Number 5, Phase 1, to be added at four million. And the interdepartmental -- we're adding -- we may be adding \$3 million for statewide security. So that would be a \$7 million increase to the initial recommendation you have in your package. So it's just to give you a heads-up on that.

Okay?

MR. ANNESE: Okay. I vote yes.

MS. MOLNAR: Okay. Thank you.

MR. LIHVARCHIK: Thank you.

Senator Littell.

SENATOR LITTELL: Is that on Number 6?

MR. LIHVARCHIK: Senator Littell, do you want to go through each individual department?

SENATOR LITTELL: No.

MR. LIHVARCHIK: Okay. How would you like to vote on the recommendations?

SENATOR LITTELL: Yes.

MR. LIHVARCHIK: You would like to approve all the recommendations?

SENATOR LITTELL: Yes, sir.

MR. LIHVARCHIK: Thank you, Senator.

Assemblyman Cryan votes in favor of all the staff recommendations.

MS. MOLNAR: So they're all going to hang up.

MR. LIHVARCHIK: Just to clarify, Madam Chair: Mr. Annese, Assemblyman Cryan, and Senator Littell have voted to approve the recommendations made by the Capital Commission.

MS. MOLNAR: Thank you.

Okay. We'll just take each department in order.

The first department is the Department of Agriculture. The request was \$519,000. The Commission is recommending \$250,000 for the chromatographic diagnostic equipment.

Any questions or comments? (no response)

If not, we'll take a roll call.

MR. ROTH: Someone needs to make a motion.

MS. MOLNAR: Oh, a motion. I'm sorry. Do we have a motion and a second?

SENATOR BRYANT: I'll move.

MR. BRANNIGAN: Second.

MR. LIHVARIK: Senator Bryant.

SENATOR BRYANT: Yes.

MR. LIHVARIK: Mr. Rousseau.

DEPUTY TREASURER ROUSSEAU: Yes.

MR. LIHVARIK: Mr. Sabath.

MR. SABATH: Yes.

MR. LIHVARIK: Mr. Brune.

MR. BRUNE: Yes.

MR. LIHVARIK: Mr. Brannigan.

MR. BRANNIGAN: Yes.

MR. LIHVARIK: Mr. Roth.

MR. ROTH: Yes.

MR. LIHVARIK: Chairwoman Molnar.

MS. MOLNAR: Yes.

MR. LIHVARIK: The motion passes.

MS. MOLNAR: Thank you.

The next department is the Department of Corrections. The staff is recommending \$10 million: \$4 million for the trailer unit, \$5 million for the fire safety compliance, and \$1 million for the locking system.

Is there a motion?

MR. BRANNIGAN: So moved.

SENATOR BRYANT: Second.

MR. LIHVARCHIK: Senator Bryant.

SENATOR BRYANT: Yes.

MR. LIHVARCHIK: Mr. Rousseau.

DEPUTY TREASURER ROUSSEAU: Yes.

MR. LIHVARCHIK: Mr. Sabath.

MR. SABATH: Yes.

MR. LIHVARCHIK: Mr. Brune.

MR. BRUNE: Yes.

MR. LIHVARCHIK: Mr. Brannigan.

MR. BRANNIGAN: Yes.

MR. LIHVARCHIK: Mr. Roth.

MR. ROTH: Yes.

MR. LIHVARCHIK: Chairwoman Molnar.

MS. MOLNAR: Yes.

MR. LIHVARCHIK: The motion passes.

MS. MOLNAR: Thank you.

Department of Education: \$1.65 million: roof replacement, fire sprinkler system, and install the elevator.

MR. BRANNIGAN: So moved.

SENATOR BRYANT: Second.

MR. LIHVARCHIK: Senator Bryant.

SENATOR BRYANT: Yes.

MR. LIHVARCHIK: Mr. Rousseau.

DEPUTY TREASURER ROUSSEAU: Yes.

MR. LIHVARCHIK: Mr. Sabath.

MR. SABATH: Yes.

MR. LIHVARCHIK: Mr. Brune.

MR. BRUNE: Yes.

MR. LIHVARCHIK: Mr. Brannigan.

MR. BRANNIGAN: Yes.

MR. LIHVARCHIK: Mr. Roth.

MR. ROTH: Yes.

MR. LIHVARCHIK: And Chairwoman Molnar.

MS. MOLNAR: Yes.

MR. LIHVARCHIK: The motion passes.

MS. MOLNAR: The Department of Environmental Protection: \$84.786 million, approximately \$55 million for a public-funded site remediation, \$25 million for shore protection, and \$4 million for engineering construction flood control.

SENATOR BRYANT: Move it.

MR. BRANNIGAN: Second.

MR. LIHVARCHIK: Senator Bryant.

SENATOR BRYANT: Yes.

MR. LIHVARCHIK: Mr. Rousseau.

DEPUTY TREASURER ROUSSEAU: Yes.

MR. LIHVARCHIK: Mr. Sabath.

MR. SABATH: Yes.

MR. LIHVARCHIK: Mr. Brune.

MR. BRUNE: Yes.

MR. LIHVARCHIK: Mr. Brannigan.

MR. BRANNIGAN: Yes.

MR. LIHVARCHIK: Mr. Roth.

MR. ROTH: Yes.

MR. LIHVARCHIK: Chairwoman Molnar.

MS. MOLNAR: Yes.

MR. LIHVARCHIK: The motion passes.

MS. MOLNAR: The next department is the Department of Health and Senior Services. The Commission is not recommending any funding at this time. There are alternate funding sources listed.

MR. ROTH: Move for approval.

SENATOR BRYANT: Second.

MR. LIHVARCHIK: Senator Bryant.

SENATOR BRYANT: Yes.

MR. LIHVARCHIK: Mr. Rousseau.

DEPUTY TREASURER ROUSSEAU: Yes.

MR. LIHVARCHIK: Mr. Sabath.

MR. SABATH: Yes.

MR. LIHVARCHIK: Mr. Brune.

MR. BRUNE: Yes.

MR. LIHVARCHIK: Mr. Brannigan.

MR. BRANNIGAN: Yes.

MR. LIHVARCHIK: Mr. Roth.

MR. ROTH: Yes.

MR. LIHVARCHIK: Chairwoman Molnar.

MS. MOLNAR: Yes.

MR. LIHVARCHIK: The motion carries.

MS. MOLNAR: The next department is the Department of Human Services.

The Commission initially recommended \$12.7 million. The Department's first four priorities: statewide child welfare system, (indiscernible) connection, and replace the HVAC, and life safety improvements.

Now, the Department has requested that Priority 5, which is \$9 million, be broken up into three phases. And they're requesting that at least Phase 1 be funded, which would be approximately \$4 million.

I believe someone is here from the Department of Human Services to discuss the three phases of the funding.

Could you give your name for the reporter?

ASSISTANT COMMISSIONER JACOB EAPEN: I am Jacob Eapen, Assistant Commissioner for Budget, Finance (indiscernible) for the Department.

Chairwoman, this project is to replace our underground water lines. What we are proposing or suggesting to the Commission is breaking up the project into three phases. Phase 1 is a request for \$4 million, which basically replaces the water lines in a cottage of clusters. In that cluster of cottages, we have roughly 220 clients. In the last two years, we had six breakdowns of the water pipes, requiring extensive repairs to the system. The system is 34 years old. And any time we have a repair, we have to relocate the clients.

The second phase is for \$2.5 million for FY 2007; and 2.5 for Phase 3, which is in the year 2008. This is a critical project. As I said earlier, there are 225 clients located in these clusters of cottages.

We also have done a very initial estimation of the savings from this investment. The \$4 million will result in roughly 15 to 20 percent of energy savings, which means we will save roughly \$600,000 to \$800,000 once this investment is made. This is a critical need, and we request the Commission to approve this request.

MS. MOLNAR: So that would increase our recommendation to \$16.7 million.

Do I hear a motion for the increased \$16.7 million?

MR. BRANNIGAN: So moved.

SENATOR BRYANT: Second.

MS. MOLNAR: Okay.

MR. LIHVARCHIK: Senator Bryant.

SENATOR BRYANT: Yes.

MR. LIHVARCHIK: Mr. Rousseau.

DEPUTY TREASURER ROUSSEAU: Yes.

MR. LIHVARCHIK: Mr. Sabath.

MR. SABATH: Yes.

MR. LIHVARCHIK: Mr. Brune.

MR. BRUNE: Yes.

MR. LIHVARCHIK: Mr. Brannigan.

MR. BRANNIGAN: Yes.

MR. LIHVARCHIK: Mr. Roth.

MR. ROTH: Yes.

MR. LIHVARCHIK: Chairwoman Molnar.

MS. MOLNAR: Yes.

MR. LIHVARCHIK: The motion carries.

MS. MOLNAR: Thank you.

Next department is the Department of Law and Public Safety.

The Commission's recommending \$4.055 million, consisting of HVAC replacement of \$500,000, and emergency operation center for \$3.555 million.

MR. BRANNIGAN: So moved.

DEPUTY TREASURER ROUSSEAU: Second.

MR. LIHVARCHIK: Senator Bryant.

SENATOR BRYANT: Yes.

MR. LIHVARCHIK: Mr. Rousseau.

DEPUTY TREASURER ROUSSEAU: Yes.

MR. LIHVARCHIK: Mr. Sabath.

MR. SABATH: Yes.

MR. LIHVARCHIK: Mr. Brune.

MR. BRUNE: Yes.

MR. LIHVARCHIK: Mr. Brannigan.

MR. BRANNIGAN: Yes.

MR. LIHVARCHIK: Mr. Roth.

MR. ROTH: Yes.

MR. LIHVARCHIK: Chairwoman Molnar.

MS. MOLNAR: Yes.

MR. LIHVARCHIK: The motion carries.

MS. MOLNAR: Thank you.

Next department is the Department of -- Juvenile Justice Commission, \$4.520 million: critical repairs, energy efficiency initiative, and suicide prevention improvements.

MR. BRANNIGAN: So moved.

UNIDENTIFIED MEMBER: Second.

MR. LIHVARCHIK: Senator Bryant.

SENATOR BRYANT: Yes.

MR. LIHVARCHIK: Thank you.

Mr. Rousseau.

DEPUTY TREASURER ROUSSEAU: Yes.

MR. LIHVARCHIK: Mr. Sabath.

MR. SABATH: Yes.

MR. LIHVARCHIK: Mr. Brune.

MR. BRUNE: Yes.

MR. LIHVARCHIK: Mr. Brannigan.

MR. BRANNIGAN: Yes.

MR. LIHVARCHIK: Mr. Roth.

MR. ROTH: Yes.

MR. LIHVARCHIK: Chairwoman Molnar.

MS. MOLNAR: Yes.

MR. LIHVARCHIK: The motion carries.

MS. MOLNAR: Thank you.

Department of Military and Veterans Affairs, \$2.65 million: replacement of HVAC, roof replacements, and upgrade of fire detection alarm system.

MR. BRANNIGAN: So moved.

DEPUTY TREASURER ROUSSEAU: Second.

MR. LIHVARCHIK: Senator Bryant.

SENATOR BRYANT: Yes.

MR. LIHVARCHIK: Mr. Rousseau.

DEPUTY TREASURER ROUSSEAU: Yes.

MR. LIHVARCHIK: Mr. Sabath.

MR. SABATH: Yes.

MR. LIHVARCHIK: Mr. Brune.

MR. BRUNE: Yes.

MR. LIHVARCHIK: Mr. Brannigan.

MR. BRANNIGAN: Yes.

MR. LIHVARCHIK: Mr. Roth.

MR. ROTH: Yes.

MR. LIHVARCHIK: Chairwoman Molnar.

MS. MOLNAR: Yes.

MR. LIHVARCHIK: The motion carries.

MS. MOLNAR: Thank you.

Department of State, \$1.697 million, which is the one item -- window and door replacement at the State Museum.

MR. BRANNIGAN: So moved.

MS. MOLNAR: Do I hear a second?

SENATOR BRYANT: Second.

MR. LIHVARCHIK: Senator Bryant.

SENATOR BRYANT: Yes.

MR. LIHVARCHIK: Mr. Rousseau.

DEPUTY TREASURER ROUSSEAU: Yes.

MR. LIHVARCHIK: Mr. Sabath.

MR. SABATH: Yes.

MR. LIHVARCHIK: Mr. Brune.

MR. BRUNE: Yes.

MR. LIHVARCHIK: Mr. Brannigan.

MR. BRANNIGAN: Yes.

MR. LIHVARCHIK: Mr. Roth.

MR. ROTH: Yes.

MR. LIHVARCHIK: Chairwoman Molnar.

MS. MOLNAR: Yes.

MR. LIHVARCHIK: The motion carries.

MS. MOLNAR: Thank you.

Higher Ed facilities: At this time, the Commission is not recommending any funding. There are alternate sources of funding listed.

MR. ROTH: We're voting on 11 recommendations of zero?

MR. LIHVARCHIK: We're voting on the recommendation from the Higher Ed Commission.

MR. ROTH: Right, I understand that. But on our listing here, you've got 11 items showing zero. Is that what we're voting on?

MR. LIHVARCHIK: Yes, we show the individual (indiscernible).

MR. ROTH: I would move for approval.

MR. BRUNE: Second.

MR. LIHVARCHIK: Senator Bryant.

SENATOR BRYANT: Yes.

MR. LIHVARCHIK: Mr. Rousseau.

DEPUTY TREASURER ROUSSEAU: Yes.

MR. LIHVARCHIK: Mr. Sabath.

MR. SABATH: Abstain.

MR. LIHVARCHIK: Mr. Brune.

MR. BRUNE: Yes.

MR. LIHVARCHIK: Mr. Brannigan.

MR. BRANNIGAN: Yes.

MR. LIHVARCHIK: Mr. Roth.

MR. ROTH: Yes.

MR. LIHVARCHIK: Chairwoman Molnar.

MS. MOLNAR: Yes.

MR. LIHVARCHIK: The motion passes.

MS. MOLNAR: Thank you.

State Library, Thomas Edison State College: \$533,000 for their
water infiltration problem.

MR. ROTH: So moved.

MR. BRANNIGAN: Second.

MR. LIHVARCHIK: Senator Bryant.

SENATOR BRYANT: Yes.

MR. LIHVARCHIK: Mr. Rousseau.

DEPUTY TREASURER ROUSSEAU: Yes.

MR. LIHVARCHIK: Mr. Sabath.

MR. SABATH: Yes.

MR. LIHVARCHIK: Mr. Brune.

MR. BRUNE: Yes.

MR. LIHVARCHIK: Mr. Brannigan.

MR. BRANNIGAN: Yes.

MR. LIHVARCHIK: Mr. Roth.

MR. ROTH: Yes.

MR. LIHVARCHIK: Chairwoman Molnar.

MS. MOLNAR: Yes.

MR. LIHVARCHIK: The motion carries.

MS. MOLNAR: Department of Transportation: to fund the
Transportation Trust Fund for \$805 million.

MR. BRANNIGAN: So moved.

MR. BRUNE: Second.

MR. LIHVARCHIK: Senator Bryant.

SENATOR BRYANT: Yes.

MR. LIHVARCHIK: Mr. Rousseau.

DEPUTY TREASURER ROUSSEAU: Yes.

MR. LIHVARCHIK: Mr. Sabath.

MR. SABATH: Yes.

MR. LIHVARCHIK: Mr. Brune.

MR. BRUNE: Yes.

MR. LIHVARCHIK: Mr. Brannigan.

MR. BRANNIGAN: Yes.

MR. LIHVARIK: Mr. Roth.

MR. ROTH: Yes.

MR. LIHVARIK: Chairwoman Molnar.

MS. MOLNAR: Yes.

MR. LIHVARIK: The motion carries.

MS. MOLNAR: Department of the Treasury, Office of Information
Technology: \$7.750 million.

MR. BRANNIGAN: So moved.

MR. ROTH: Second.

MR. LIHVARIK: Senator Bryant.

SENATOR BRYANT: Yes.

MR. LIHVARIK: Mr. Rousseau.

DEPUTY TREASURER ROUSSEAU: Yes.

MR. LIHVARIK: Mr. Sabath.

MR. SABATH: Yes.

MR. LIHVARIK: Mr. Brune.

MR. BRUNE: Yes.

MR. LIHVARIK: Mr. Brannigan.

MR. BRANNIGAN: Yes.

MR. LIHVARIK: Mr. Roth.

MR. ROTH: Yes.

MR. LIHVARIK: Chairwoman Molnar.

MS. MOLNAR: Yes.

MR. LIHVARIK: The motion passes.

MS. MOLNAR: Thank you.

Interdepartmental accounts: There's been one suggested change, to add \$3 million for the Capitol Complex Security Systems upgrade.

MR. BRANNIGAN: So moved.

MR. ROTH: Question on the motion.

MS. MOLNAR: Yes.

MR. ROTH: How much of this-- Since we only received this today, and you've made some changes from the original presentations, how much of this budget pertains to differed maintenance?

MR. LIHVARIK: We would have to go in and break down the fire, life, health, safety, and security recommendation to see how much of that would answer your question. Window and door replacement, obviously, would remedy water infiltration, ADA compliance, hazardous materials removal, energy projects. These all could be differed maintenance projects.

In addition, you have the Transportation Trust Fund, which will fund \$2 billion worth of projects, which could have a significant amount of maintenance projects in it.

MR. ROTH: That's road repair, though, right -- for the most part?

MR. LIHVARIK: Yes.

MR. ROTH: Outside of road repair-- Well, it looks like what, about 5 or 6 percent of the net -- of the total?

MR. LIHVARIK: At least. And the national standard, normally, is about 2 percent. So using the national standard of 2 percent funding for differed maintenance projects, this recommendation significantly exceeds that.

MR. ROTH: I agree.

MR. LIHVARIK: And yesterday, Mr. Woronczuk and I were fortunate enough to speak to somebody at *Governing Magazine*, who commended New Jersey for having over a 2 percent allocation for differed maintenance. And his statement basically was that there aren't too many states that have even near 2 percent. So I think this recommendation would address that.

MR. ROTH: Thank you very much.

I second the motion.

MS. MOLNAR: Okay. That would add \$3 million. So it would be \$109.105 million, interdepartmental.

Did we have a second on that?

MR. ROTH: I seconded.

DEPUTY TREASURER ROUSSEAU: Mr. Roth seconded.

MR. LIHVARIK: Senator Bryant.

SENATOR BRYANT: Yes.

MR. LIHVARIK: Mr. Rousseau.

DEPUTY TREASURER ROUSSEAU: Yes.

MR. LIHVARIK: Mr. Sabath.

MR. SABATH: Yes.

MR. LIHVARIK: Mr. Brune.

MR. BRUNE: Yes.

MR. LIHVARIK: Mr. Brannigan.

MR. BRANNIGAN: Yes.

MR. LIHVARIK: Mr. Roth.

MR. ROTH: Yes.

MR. LIHVARIK: Chairwoman Molnar.

MS. MOLNAR: Yes.

MR. LIHVARCHIK: The motion passes.

MS. MOLNAR: The last Department is the Judiciary: \$1.1 million. It's my understanding this is the cost of doing one floor. They will be upgrading one floor at a time at the Hughes Justice Complex.

MR. BRANNIGAN: So moved.

MS. MOLNAR: Do I hear a second.

SENATOR BRYANT: Second.

MR. LIHVARCHIK: Senator Bryant.

SENATOR BRYANT: Yes.

MR. LIHVARCHIK: Mr. Rousseau.

DEPUTY TREASURER ROUSSEAU: Yes.

MR. LIHVARCHIK: Mr. Sabath.

MR. SABATH: Yes.

MR. LIHVARCHIK: Mr. Brune.

MR. BRUNE: Yes.

MR. LIHVARCHIK: Mr. Brannigan.

MR. BRANNIGAN: Yes.

MR. LIHVARCHIK: Mr. Roth.

MR. ROTH: Yes.

MR. LIHVARCHIK: Chairwoman Molnar.

MS. MOLNAR: Thank you.

I'm sorry. Yes. (laughter)

MR. LIHVARCHIK: The motion carries.

MS. MOLNAR: You mentioned *Governing Magazine*. I wanted to bring this up. I'm not sure all of you were here when I mentioned it. *Governing Magazine* rated all the states on different items, including fiscal management, human services, and capital. And capital, it gave the State of New Jersey an A. They said, "The State Commission on Capital Budgeting and Planning, which coordinates the process, is a model. The Commission is bipartisan and advises the Governor and the Legislature, a crucial fact, given the frequency with which other states wind up with different goals from different branches of government."

So I want to thank you all, again, for your time and effort. It's paying off in our capital planning.

MR. ROTH: Madam Chair, what issue was that?

MS. MOLNAR: It was about two years ago.

MR. ROTH: Oh, okay.

MS. MOLNAR: Now, any other business?

MR. LIHVARIK: I would just like to make one comment and observation.

As with last year, I would just like to thank OMB staff, primarily Mr. Roger Bushyeager. I would like to thank Mr. Thor Woronczuk for all his hard work in getting these meetings together. I would like to thank the departments for responding to the Commission's questions in an extremely timely manner this year. And I would like to thank the Office of Legislative Services for turning around the minutes like they never have before. We have all the minutes this year. I would just like to express my appreciation for that. And I would like to wish everybody a happy holiday.

MR. ROTH: Here, here.

MS. MOLNAR: Yes, happy holiday.

Meeting adjourned.

(MEETING CONCLUDED)