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# ***Subcommittee Meeting***

of

## JOINT COMMITTEE ON THE PUBLIC SCHOOLS SUBCOMMITTEE ON SCHOOL FACILITIES AND CONSTRUCTION

*“Testimony from people representing small business enterprises that have had experience with the New Jersey Schools Construction Program, or who are interested in working with the Program”*

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**LOCATION:** Lecture Hall 2132  
Essex County College  
Newark, New Jersey

**DATE:** June 9, 2004  
6:00 p.m.

### **MEMBERS OF SUBCOMMITTEE PRESENT:**

Assemblyman Craig A. Stanley, Chair  
Senator Ronald L. Rice

### **ALSO PRESENT:**

Melanie M. Schulz  
*Executive Director*



*Meeting Recorded and Transcribed by*  
The Office of Legislative Services, Public Information Office,  
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**ASSEMBLYMAN CRAIG A. STANLEY (Chair):** Good afternoon.

Let me first, of course, welcome all of you here, and I certainly thank you for joining us this afternoon. This is a meeting of the Subcommittee of the Joint Committee on the Public Schools. And this is the Subcommittee on Schools Facilities and Construction.

Senator Rice will be joining us any minute now.

Melanie Schulz is the Executive Director of the Subcommittee, and I'd like to thank her for all her efforts in putting this together.

Also, I just want to say that this is an opportunity for us to hear information regarding the process -- school construction -- where we are right now. This school construction undertaking that we have been experiencing and delivering in New Jersey is a program that really is not paralleled anywhere in the country. It's the result of some very proactive legal work that resulted in a landmark decision, in which one of the elements of that decision was that the Supreme Court of the State of New Jersey ordered that the Legislature and the administration come up with a school construction program that would address the needs of the Abbott districts, which consists of 30 districts, primarily low-income, urban districts -- including here in Essex County, of course, Newark, Irvington, East Orange, and Orange; but certainly throughout the State of New Jersey, and Jersey City, of course, Paterson; as far down as Vineland and Camden. Of course, Elizabeth is included in that. As I said, 30 districts, poor urban districts, that as a result of this legal advocacy became the beneficiaries of a landmark decision that ordered some -- while billions of dollars--

The current legislation that was passed in the summer of 2000, which was passed late, I might add, because actually schools were supposed to be in the process-- We were supposed to have shovels in the ground as of spring of 2000. So the legislation was somewhat late. But when the legislation was passed, it allowed for \$8.6 billion to be spent on facilities in the Abbott districts, as well as the non-Abbott districts. And I think that's a very important thing that we need to make clear here -- is that as a result of this Supreme Court decision, which really focused on poor urban school districts, the Legislature and the governor at the time decided that we would not just build schools or provide State funds for the poorest districts, but for every district in the state. And I think that was certainly a good thing to do. All districts needed school facilities, but it just goes to show that the Abbott remedies and the Abbott decision has, in fact, benefited Abbott as well as non-Abbott school districts. It's benefited the State of New Jersey and directly benefited school districts that are not Abbott school districts.

So I just want to, certainly, give the proper, I guess, observance and acknowledgment to the Education Law Center, which of course was responsible for heading up that effort. I think that this administration has taken tremendous steps to try to streamline the process. They actually developed and established the Schools Construction Corporation, which is involved in the actual building of the schools, which many have said has facilitated the process, has sped up the process. And I know here in Essex County, we have facilities that are beginning to be built. We have schools in Irvington, schools in Newark, schools in East Orange. We have things actually happening. For a long time people were very concerned that there was, in fact, not enough going

on in the Abbott districts, which were under a lot more administrative constraint than the non-Abbott districts. And we're glad to see that there are things that are happening now that are making more Abbott district schools come online a lot quicker.

One of the things that many of the members of the Legislature asked that would happen was that, with this type of building being undertaken in the State of New Jersey, that this would be a tremendous tool to bring about economic development. That is job opportunities, as well as contracting opportunities for local residents in areas that were depressed or needed economic stimulation. Six billion dollars that were earmarked for the Abbott school districts could make a tremendous difference in terms of employment opportunities in these districts where unemployment was very high or is very high.

So one of the issues that we certainly wanted to address was the hiring of local residents, opportunities for small businesses, as well as local businesses in those districts. And as a result of some inquiries to our Committee members, as well as inquiries to me personally, we felt it necessary to have a hearing to see how we were coming along on those issues.

So I want to, certainly, say that it's great that we have the Schools Construction Corporation and their support team. I understand Jack Spencer could not be with us. He is the CEO of the Schools Construction Corporation. He could not be here today. He had an emergency in the family. But I do understand that his right-hand person is here, and we'll be hearing testimony from a number of persons connected with the Schools Construction

Corporation, or at least we certainly have a number of them at our access to answer questions, any questions that might arise.

I see Senator Rice has joined us. And I certainly want to give him an opportunity to make opening comments, and also welcome you here to Newark. But before he does that, I do want to express my gratitude to Dr. Yamba and Essex County College for making this facility available to us. They have been extremely gracious. And actually, I want to congratulate Dr. Yamba on the largest graduating class in Essex County College in the history of the college. I think he's doing a tremendous job and certainly want to commend him in his absence.

But I'd like to recognize Senator Rice.

SENATOR RICE: Thank you, Mr. Chairman.

Let me also commend Assemblyman Craig Stanley for his role in the education arena, among other things, and for doing such a good job of chairing the Subcommittee over the last -- going on three years now. Right, Assemblyman?

ASSEMBLYMAN STANLEY: Yes, sure.

SENATOR RICE: A very active Committee, but very important. Because SCC has grown over the years, too, and we have to keep up with new information. And you have to make sure that our concerns are addressed as per the legislation that established SCC, and all the comments and words of wisdom that came from the Caucus members, particularly the minority caucus, black and Latinos, as we put together our concern for PLAs, and local involvement, and women and minority participation. I need to say for the record -- I don't really care too much about what the consent decree says about women and

minority set-asides. I make that very clear. I don't really care what the courts say. I think we have a responsibility as a corporation to make sure that we, as a whole, in New Jersey participate, particularly in the Abbott districts. And so far, I know you've been doing a lot to try to make those things happen, even given the barriers that you have, that have been placed before you. We're going to try to break some at the State. But until then, I hold people accountable anyway, and if necessary, let them take us to court. Let them spend some money for a change.

I'm going to also just be quiet at this point. I want to welcome you to the City of Newark, of course. Senator James is -- Mayor James also -- is always happy to see people come into the City of Newark. And also, he's always happy to see them come to Essex County College, because this is really his first home. He spent many years here. And I was the former president of the Alumni Association.

But Assemblyman, if you could, before the video, I know that Councilwoman Perkins-Auguste has to get back to Elizabeth. She would like to speak first, if that's possible, since they just came out of the election yesterday.

Thank you very much.

ASSEMBLYMAN STANLEY: Thanks, Senator.

Yes, I was instructed that Councilwoman Perkins had to leave. And -- certainly a long-time friend, despite our youth, and certainly a strong advocate for her constituents -- I would certainly welcome Assembly-- I'm sorry. Boy, yes, maybe there's something in the works there -- Councilwoman Pat Perkins-Auguste. (applause)

**COUNCILWOMAN PATRICIA PERKINS - AUGUSTE:**

Good afternoon to Senator Ron Rice, to Assemblyman Craig Stanley, and to Ms. Melanie Schulz. I want to thank the three of you for realizing how important school construction in the State of New Jersey is to our communities.

As it was stated earlier, my name is Patricia Perkins-Auguste, and I am the Councilwoman-at-Large from the City of Elizabeth. And I just came out from an election yesterday, and so -- things are kind of muffled. But this morning, as I was going through my city, I ran into a young man who said that he went up to the Bovis headquarters in the City of Elizabeth, who is their project management firm, who is building the schools in my town.

As you know, Elizabeth is the fourth largest city in the State of New Jersey, and it's -- close to a billion dollars worth of school construction will take place between now and, I'd say, the next six, seven years. The current estimated cost is 750 million. But we know with overruns and change orders and things of that nature, that we'll probably hit close to a billion dollars.

The NAACP in the City of Elizabeth has been urging me to get involved in making sure that the Elizabeth community is actively involved in the process of building schools. We are grateful to the Governor of this State, Governor McGreevey, with his aggressive plan to make sure that 30 percent of this project is geared to our small minority, local firms. However, to date, I have not seen a clear process whereby those goals can be reached.

About a year ago, last August, there was a meeting conducted in my town by principals of Bovis. And it was lead to be an outreach meeting. Members from the Schools Construction Corp, I believe, was there also. To this

date, I've been asking just for general information, like where is your process to include small, local, minority firms for my city and the surrounding area? To date, I have not really seen a clear process. Men and women from the local community have tried to engage themselves in this process. And to date, nothing really has come to fruition.

My main reason for being here is that Schools Construction Corp should be a nonpartial player, making sure that the wishes of the local communities are carried out in terms of making sure that the small, local minority firms do take place in this process. I feel that Schools Construction Corp, as the government entity, should understand the need to provide a path and a process for the local community to get involved. And to date, I really have not seen it. I have communicated over the last year with members from Schools Construction Corp, and really have not felt they were taking the concerns of the local elected officials at heart in making some of this process become a reality.

As an elected official, I am uphelded by the people to make sure that projects of this nature include my local residents. And to date, that has not happened. There is a lot of stumbling blocks, I should say, that is in the process. And Schools Construction Corp have not utilized their talents to make sure that those blocks are smooth so that the local community can take part.

You know, my vision for my community is that those who want to work should have the opportunity to work. It's a very simple vision. And there have been many who have expressed a desire to work on a project and, to date, have not worked.

We talk about the legal case regarding the disparity studies and things of that nature, which the Senator alluded to, but no schools have stopped being built. The school process continues to be built while we wrestle back and forth with this disparity issue, where the minority -- if you can be called a minority, small, whatever -- those issues have not stopped shovels from going into the ground, and schools being built, and millions of dollars being spent.

My real concern is that I want to see a process -- which I've been asking for, for about a year now -- to make sure that local, small, minority firms and individuals take part in this process. You're talking about, in one town alone, close to \$1 billion. And I know in Newark, is probably at that point -- 1 billion and beyond.

Elizabeth is scheduled to build 22 schools. And I can't understand for the life of me why Schools Construction Corp is not really working with local elected officials, like myself and other community leaders, to make sure that there's a process in place that everyone feels comfortable with and can work with.

Like I said, I've worked and I've talked to folks from Schools Construction Corp, and the feeling-- What the Governor sent out in his decree about 30 percent set-aside, or 25 percent -- whatever the minority set-aside for local -- it's not happening. It's not clicking with those who are supposed to provide the mechanism. And I'm coming here today to say that I'm going to keep working and fighting for my community. And if I do not see the mechanism shortly, then I will take the community to the Governor and ask him. He can let us know why this Corporation set up by the government is not

helping to assure that the local economy and the local residents take part in this process.

And again, my hat really goes off to Senator Rice and you, Assemblyman Craig Stanley, for understanding the need, for having this forum today to allow us to speak on this behalf. Because most people have been really turning their backs and closing their ears to the cries of the people. And as you stated, most of this building is being -- taking place in minority cities and urban cities where the unemployment rate is close to 10 percent. And we have men and women standing on our corners who are looking for work, and they're being shut out. And they're looking at other people come in and build schools for their children to attend. I think this is our only opportunity -- is a historical event for us to have parents build schools -- to take part in building schools for their sons and daughters to attend. And I think we need to grab hold to this opportunity and make sure that the process works, before we miss out on this opportunity.

And again, I thank you for being here. One other thing I want to talk about. There's a training grant that's going on. The Department of Labor has a training grant. My city received \$1.5 million to train people in construction trade. We coined the term CARE in our city, for this construction trade program, because we care. The mayor cares, Mayor Bollwage. I care. The people who put this training grant process in place, we care about the outcomes. There are some issues with that part of the puzzle, too, because that's the unique part of the puzzle that goes hand in hand with the building of the schools. And it's regarding something as simple as a driver's license. My constituents ask me, "Councilwoman, why do I need a driver's license when the

school that I'm planning to work on is down the street from where I live?" And that's a question that we all need to think about, Assemblyman and Senator, as we move forward in this process. Little things like that will keep hundreds of people away from this process, and it's not making logical sense.

So, again, I thank you for this time and this opportunity, and I thank you for allowing me to interrupt the scheduled program to say these words on behalf of my constituents. Have a blessed day.

ASSEMBLYMAN STANLEY: Thank you, Councilwoman. Maybe you can wait a second. The Senator may have a question for you. But I just want to thank you for coming. And I think we need to have advocacy from our local elected officials -- and people in general who are looking to get this work and certainly should be able to get that. There may be some legislative issues that the Senator and I may have to address. If that be the case, then we will do what we need to do. But we cannot allow for high unemployment rates to exist in these areas where a lot of this construction is being done; and having numbers of people coming from outside of the communities and outside of the state and building schools, where we could use those schools for training grounds, for employment opportunities, for so many different things and keep the dollars in the community and actually help uplift the community. What good is a great school if everybody is impoverished in the area? So I certainly appreciate your information and your testimony.

And I think Senator Rice would like to address some issues.

SENATOR RICE: Just very quickly, we concur with your remarks. I mean, we've been basically saying the same thing in different words for the last three or four years -- even when the process started with the courts and then

EDA. But I do believe that there are people like Jack Spencer and people like McNeill, that was here -- they're listening. I think the political barriers happen to be the politics of elected officials throughout the state at both the local, county, State, and party levels. We all know how that process works. But I also think that even with the movement of a GR corporation, that whole movement is a funded operation to knock out affirmative action, and minority and women businesses.

And this notion about the Governor -- coming from 15 to 25 percent on the small business, doesn't really help minority businesses. And we can't depend on our minority business to hire your folks, unless you really compel that. And one way to compel that is remind them they have a contracted relationship, and if it's not in the contract, then understand that it's not going to really be looked at with a lot of favor where there's discretion. Until then, we're going to have to fight the case. Now, we're going to either have to let this Governor know we're Democrats, okay, that we worked hard to get him in, twice. We love him as a person. But we can't rubber stamp his game plan, because the buck stops at his desk, whether you like it or not. And he's going to have to call these unions in, who are our friends, and call these business folks who do most of the bidding for the big companies and say, "Look, here's what I need. If we can't do it that way, it's not going to get done. Take me to court."

The union members like to paint blacks -- and in particular the legislative Black Caucus members -- they're starting, in their own enticing way, painting us as anti-union. That's not true. And we're pro-people in these cities, whether it be culturally disadvantaged white, Hispanics, blacks, women. The

money is coming here, but there are criteria that if you have a record and you don't read well enough to pass their test -- which is only their criteria; it's not my criteria -- you can't work. But yet, the person trying to get work is probably a better painter than their painter in a painter union, or a better carpenter than one in the union. But they never get a chance, because they can't meet their criteria, which is not our criteria. We got to break through that, some kind of way, and let them know that we're not telling you to put people to work that's not going to work. Hell, we'll hold them accountable, we'll find them for you. But we want people to work.

Before I came in here, and I was sending them-- I had a phone call. And believe it or not it was a person that I'm working with who sent me some résumés, two résumés. But what I didn't know is that these guys need to have a job in two weeks -- their window of opportunity, I guess because they were incarcerated; they're out now. Two weeks is their window. I said, well, the construction company you told me to check into just broke ground. They won't even start. But the ones that are working, you can't even approach them. And that's the problem.

So I don't have all the-- Well, I have the answers -- I can't get the support in Trenton. I think the best thing that could have happened -- if the legislative Black Caucus had held their project labor agreement with their votes -- and we didn't -- and let the unions know we're pro-you, but let's make this a little tighter so that we can help you and you can help us. That didn't happen. So now we're going to have to work with them and say, "This is the way it's going to be done."

So you are right. And there may become a time we have to mobilize statewide. But I would say, let's not wait until June of 2005 primary and then let anybody in office have a free ride on this thing here.

Thank you.

COUNCILWOMAN PERKINS-AUGUSTE: (speaking from audience) Mr. Senator, we're not-- Believe me, not in Elizabeth. We're not waiting.

SENATOR RICE: You're on the record.

MS. SCHULZ: She needs to come up to the mike.

ASSEMBLYMAN STANLEY: If you want to come up to the mike, yes.

COUNCILWOMAN PERKINS-AUGUSTE: Oh, I have to come up to the mike to say--

Mr. Senator, you're right. We're not going to wait until June of 2005. The City of Elizabeth -- we're going to be mobilizing throughout this summer, and it will be way before June of 2005. Before the Governor hears from us, because we're serious about this process.

Thank you again.

ASSEMBLYMAN STANLEY: Yes. Councilwoman, you may need to mobilize before this summer.

COUNCILWOMAN PERKINS-AUGUSTE: I know.

ASSEMBLYMAN STANLEY: So be in contact.

COUNCILWOMAN PERKINS-AUGUSTE: The NAACP president from the City of Elizabeth is here. He's been mobilizing, yes.

ASSEMBLYMAN STANLEY: Okay. All right.

COUNCILWOMAN PERKINS-AUGUSTE: Thank you.

ASSEMBLYMAN STANLEY: You're welcome.

Thank you very much, Councilwoman. We certainly appreciate your testimony.

Mike Rafat, from the Schools Construction Corporation, will now give a presentation on where we are right now with respect to school construction going on in this state. I guess it will be fairly brief -- around five minutes or so. Is that within the parameter?

**MICHAEL RAFAT:** Probably 10 minutes.

ASSEMBLYMAN STANLEY: Okay. And then we certainly would like to have your patience with respect to making sure that everyone who is here to testify -- please make sure you stay and you testify, because this is a very, very important issue.

Thank you.

MR. RAFAT: Thank you, Assemblyman Stanley. Thank you, Senator Rice.

My name is Mike Rafat. I'm the Regional Director with the Schools Construction Corporation. I'm here today on behalf of Jack Spencer, our CEO, who unfortunately had a family emergency. He couldn't make it today.

The SCC, as you know, it's been-- It is the cornerstone of the whole school program. It's part of the Governor's plan for New Jersey -- that to build a better New Jersey you have to have good schools for the children of New Jersey. You have to have a good economy. You have to have a stronger community. And that comes with partnership, with the likes of Senator Rice,

with Assemblyman Stanley, that creates an energy that we can do things for the community and we can interact with the community. So I really appreciate you having us here tonight to give us a chance to speak to you and tell you what we're doing, who we are, and what we're going to be doing in the future. This commitment is really the center of this whole thing. The laws are one thing -- having the corporation commitment is something totally different.

I'm here, and we also have a lot of people from the SCC -- are here as well -- and you can always ask them questions after the session is over. We have our Senior Executive Vice President, John Walsh (phonetic spelling) is here. We have Senior Director Michael Heningburg. We have several other people who are a central part of this program, and we can introduce them to you later.

ASSEMBLYMAN STANLEY: I see Kellie Drakeford.

MR. RAFAT: And Kellie, yes.

Well, I'm just doing that to her on purpose. She knows that.

So building schools -- it generates not just schools, as Assemblyman Stanley and Senator Rice said earlier, it also builds the economy. And having the locals working, that is an essential part of it. And that's something that Jack Spencer believes in strongly, and he's been directing us. As Senator Rice said, whatever the law said, that's one thing. But the intention, and us pushing the people who work for us to make sure that the locals participate -- it is a must. I tell you, it brings joy to us when we walk into a school and we see people from the area working inside these schools. You feel like it's working.

(begins PowerPoint demonstration)

As Assemblyman Stanley said earlier, who is quite familiar with the program, this program came after the lawsuit; and there was an act that passed and created this whole organization. The act passed -- \$8.6 billion: \$6 billion is for what's called the Abbott district, the neediest district in the state. These are 30 school districts that include Newark, Irvington, Jersey City, Paterson, and so forth. And there's 2.5 billion for the non-Abbott. The difference between the Abbott and the non-Abbott, the Abbott gets 100 percent funding. We pay for everything -- the State pays for everything. And that money, we don't take it back from property taxes. It doesn't affect the community in any way. The non-Abbott -- it's partial funding. We only pay for part of the school, the school district pays for the rest of it.

ASSEMBLYMAN STANLEY: It's a minimum of 40 percent, though, correct?

MR. RAFAT: It's a minimum of 40 percent, that's correct. And there was \$100 million dedicated for the county and vocational schools.

The Executive Order that created us as an organization was in July 2002. So we're coming at our second anniversary. And with the leadership of Governor McGreevey, with the help of the legislators, it's been a great two years, and I think we've accomplished a great deal of work.

Now, the biggest part of the program goes to the 30 Abbott districts, which I mentioned earlier. And there are 27 districts that receive over 55 percent of the funding. When a district receives over 55 percent of the funding, it means we manage the project for them. Just as we managed the projects for the Abbott districts. Managing the project -- that includes if there is land and it needs to be bought, we manage that. If there are professionals, designers, and engineers

need to be hired, we do the hiring and the management of them, and also hiring the contractors and managing the contractor, and any equipment or furniture that needs to be delivered.

Now, the plan for the SCC was not to have a huge bureaucracy, so we have a light staff and then we have professionals that work for us -- the likes of Bovis, who is here tonight assisting us in the Irvington area and in Elizabeth. And PP3DI (phonetic spelling), who worked for us through Newark, which are construction companies, construction management companies, who give us the expertise and the support -- they manage the work that we're putting out.

Overall, there's about 550 school districts that get some funding from this program. As Assemblyman Stanley said, there's a minimum of 40 percent of eligible costs that we pay for. If it's lower than 55 percent, these districts have the option to manage the project themselves. When we provide funding, that means that we have to make sure that they comply with all the construction laws, and we keep an eye on what's going on in the project. But they do manage the project themselves, and we just pay based on the milestones of the progress of the project.

We certainly feel that, so far, we have accomplished an excellent record on the minority and women participation in the program. We have put a lot of effort to bring people on, to educate them, to make sure they participate. We've put minority and women contractor training programs -- so far there's 64 firms that have graduated. Out of those 64, there's about 30 that are from Essex County. These people -- they get two types of training, sort of. You have the designers and you have the contractors, and what we try to teach them is how to manage the business. We go through what's involved, what paperwork is

involved, how can you run a business, what financial statements do you need to survive and to be able to do, actually, business with us.

We also created the bonding and working capital program, which so far we have \$8 million in surety issued. The biggest problem for a small firm to do work directly for us, or any State agency, is to get bonding. That's really critical. And to get bonding, usually bonding companies are a little bit leery about giving somebody -- who has just been in business for a short while, doesn't have really a good track record, or a known track record -- to give him business. So what we're trying to do is to train them, get them in touch -- sort of creating a marriage between them and an underwriter or a bonding company. That they come in and the bonding company would say, "We're going to give you a bond. We're going to walk you through the whole process. At the same time, we have some rules that you have to abide by. We're going to keep an eye on your financial statements. We're going to keep an eye on your payables, and so forth, to make sure that you're paying your bills." I think that alone, I think, creates opportunities for businesses. A lot of these businesses just want to have a chance to do something, and this gives them the chance to do business with us.

And we developed a very aggressive small business program. We do keep an eye on it very closely. And Kellie has her team as well, who is out there. We have a team of Diversity Group that goes out to each job site. We don't go by paper; we don't go by reports. We actually have people that work on our payroll that go out there to the job sites, to the firms that work for us, and they actually count heads. They know. They see the people at work. They want to see how many women on the job, how many minorities on the job, and

they create reports. And if the firm is not complying, they usually -- we go very aggressively after them to make sure that they do comply. And we also -- part of the small business program is the carve-outs, which I'll address a little bit in detail, in a minute.

ASSEMBLYMAN STANLEY: Can you provide a list of the 64 firms that graduated from the contractor training program?

MR. RAFAT: Absolutely. Do we have that, CC (phonetic spelling)?

UNIDENTIFIED SPEAKER FROM AUDIENCE: I don't have it with me, but I will forward it to the Committee.

SENATOR RICE: I have a couple of questions. Should I wait until the presentation is over? Why don't I just wait. Sure, I'll ask you.

ASSEMBLYMAN STANLEY: Sure.

MR. RAFAT: Whatever you want.

SENATOR RICE: Well, the bonding--

MR. RAFAT: Yes.

SENATOR RICE: --the initiative that was supposed be wrap-around bonds. The wrap-around bonds, those are wraps?

MR. RAFAT: That I'm not sure about.

Do you know, Kellie?

**KELLIE DRAKEFORD:** (speaking from audience) No. I'm not sure.

MR. RAFAT: Yes. I have to find out for you.

SENATOR RICE: You know what a wrap is, right?

MR. RAFAT: Yes.

SENATOR RICE: Okay. The wrap is when I get the bond. I'm, kind of, just bonded by (indiscernible) or something like that. The reason I raised that is because (indiscernible) always had. I said, "Well, that's great." But what happens when that small contractor, particularly a minority contractor, a woman contractor, is no longer doing school construction? The idea was to set up something to make sure that they were bondable beyond that, because they worked "with a bond." Is that in place yet, or do you need legislation, or you have something coming to me to put in? Do you understand what I'm talking about?

MR. RAFAT: Yes, I understand exactly what you're talking about. But I am not quite familiar with the program -- with the details of that. And I will find out.

SENATOR RICE: All right. Because if, in fact, that's not in place, and it needs to be legislated, we need to know right away. Because if you're telling me that X number of people -- companies that could not get bonding initially have gotten bonding through "the system" that was being put in place by NcNeill, when he was there, and followed through by Spencer, and they're wraps, you can unwrap when you leave. We don't want them unwrapped. We need to do a law--

MR. RAFAT: You want them to stay in business.

SENATOR RICE: Yes, we want to be able to say that you can't tell this person or company they're not bondable for these reasons, because they had a bond. Okay? They have had bonds before. Do you understand what I'm saying, Kellie?

MS. DRAKEFORD: Exactly.

ASSEMBLYMAN STANLEY: Oh, Kellie, can you come to the mike? (referring to PA microphone)

MR. RAFAT: The bond would stay with them, is that what you said?

MS. DRAKEFORD: Yes.

SENATOR RICE: So if they went and did housing tomorrow, would the bond stay with them?

MS. DRAKEFORD: Yes.

SENATOR RICE: Can you get that to me in writing?

MS. DRAKEFORD: Yes, I can.

SENATOR RICE: Sometimes I can read better than I can hear.

MS. DRAKEFORD: Yes.

SENATOR RICE: Because sometimes you are all telling me stuff that's not accurate down here. And give me the authority with it that says that is to be done?

MS. DRAKEFORD: Yes.

SENATOR RICE: Okay, thanks.

I'm sorry. The other question is -- I don't want to take it too far into this but -- and this goes to Kellie and her team. In another life I've done consulting work and all those kinds of things. And the one thing that's a barrier to minorities, particularly African-Americans and Latinos, is -- those of us in leadership fight for jobs, and we're going to continue to do that. Fair is fair and foul is foul. And we also tell people, we're not telling you to take someone that doesn't want to work. But the problem I've had is that when there's a contract, Kellie, that contractor and the rest of the people here, including the contractors,

there's a commitment to start that contract -- a date specific, give or take -- and end it within budget. Which means that if I'm black and I don't show up, I can't yell, "Discrimination," and the whole job stops. Because that's happened with contractors, for those who don't know it. I live with this stuff almost every day. And I have one basic attitude: the job is not stopping; we have to move forward.

The point I'm making is that the problem I've had in construction -- the Affirmative Action person would show up, not knowing I was the one doing the Affirmative Action. So they ain't going to play with me, okay? Because somebody ran and complained that they're discriminating. I said, "Discriminating? The guy ain't showed up in three days. Then he showed up, he didn't have any tools. So you know what? There's nobody discriminating. We're just going to hire somebody that looks like him." Because that's the mistake the contractors make. They'll fire African-American women, but they don't hire anybody back that looks like them. See, that's the first mistake they make. But the people coming to the site count heads. I said, "Hold it. You counted heads, but were they sitting in the car or were they working?" Because you can't come to a job site -- and I've had the experience -- and wind up on TV for getting people paid, negatively on TV for getting them paid -- union stuff. But the point is, you can't sit on the job and everybody is working -- you're supposed to be working -- and then tell me you're sitting in the car, because your crew -- when your guys don't show up, you don't have enough people. And then when somebody tells you to go home, you're not getting paid, you run and tell Affirmative Action people or the monitors that somebody's discriminating. And the next thing you know you've got the Labor Department there, OSHA -- and

all the negative stuff that shouldn't even be -- and the job is slowed, then it stops.

The point is, we can't afford not to have these schools built, but we cannot afford not -- to have them built with the exclusion of local participation and minorities. But by the same token, if we're going to pay people to participate, whether they're black, white, Latino, young or old, male or female, they have to work.

So would you make sure that whatever documents you're using, we can also document Ron Rice was working?

MS. DRAKEFORD: If I can, Senator, we have a very experienced and thorough Affirmative Action staff. I'm very comfortable and confident with what they do. They do regular trainings. They do unannounced site visits. And I'm very, very comfortable in how they take their job very passionately. So your concerns are well understood and well heard, and I will bring that back to them.

SENATOR RICE: I'm going to say it again. I'm not a young chicken. I work with Affirmative Action. I work with Affirmative Action people. There's a difference when you go and come back and say, "Yes, Assemblyman Stanley, I counted. They're doing good. They are 40 percent. I counted 40 percent out there." The question should be, when you count them, what were they doing? Were they really working? Were they fulfilling their obligation so that we can argue the case that you got to keep them? They will work. People will work. If not, we give someone else an opportunity, okay? Because we're not doing the accountability thing for non-minorities.

MS. DRAKEFORD: And you're absolutely right, sir. And I go back to, we have a very competent staff. And I think you would be very proud.

MR. RAFAT: Your point is well-taken about the balance. It is a hard balance. And you want to build these schools and, at the same time, you don't want to build them at the expense of the people that really need these jobs. And there is room for improvement -- there's no doubt -- and we're working on it. But there are good examples that we have done that I can share with you.

There is a job that I had in Jersey City that the contractor -- the community complained that there was not enough locals on his subcontractor list. We brought him in. We had a lengthy discussion with him. It was a large contractor. He showed full cooperation. He actually went out and reached out to-- We gave him a list of all the local contractors in the area, and it was an \$11 million job. I think he hired over \$600,000 of people that are actually from Jersey City, immediately, after we started talking to him. The SBEs from the Hudson County is somewhere around \$2 million, and it's building up.

We are trying, and we listen to these things. And when it comes to the laborers, I understand your concern.

We also initiated the Statewide Marketing and Outreach Campaign to the MBEs in minority communities. We go out and we try to make people aware of what we do -- and we have a large group of people that do that -- to hear what they have to say, and we also tell them what we're doing. Now we have the OCIP program, the Owner Controlled Insurance Program. That also helps a small business if they work with us, because we provide the insurance now. We pay for the insurance. So a small business doesn't have to worry about the insurance. Of course, that reduces the cost overall, because now

companies don't have to pay for that insurance. So anything \$500,000 and up, we pay for the insurance, under the OCIP program.

And we have a Site Safety Program, and so far we have an excellent safety record. For all the work that we finished, we have an excellent track, right now, on safety.

The next slide will show you -- will give you an overall picture about where we are in dollars, and the number of projects, and where we stand today. So far, in 2003, we have spent over \$1.1 billion in the program. And we are projecting to spend about 1.2 in 2004, and \$2 billion in 2005. Now, the new schools -- in 2003, we've opened five new schools; in 2004, we are projecting somewhere between 20 and 25 new schools to be opening; and in 2005, we're projecting somewhere between 30 and 35. That's statewide. So that just gives you a global picture of the program.

The next slide.

ASSEMBLYMAN STANLEY: Do we know the breakdown of the schools, non-Abbotts and Abbotts?

MR. RAFAT: These are Abbotts.

ASSEMBLYMAN STANLEY: These are all Abbotts you're talking about, in 2004 and 2005?

MR. RAFAT: These are all Abbotts. Yes.

The actual and projected new design, for people who are interested in seeing how much design work is going to be out there for them -- in 2003, we have 135 designs that began in 2003. In 2004, we have 98 projected to be, by the end of the year, out there in design. Now in fees, that translates to \$203 million in 2003, and \$146 million in 2004.

Now, the construction contracts -- and obviously you have to start with the design, you know, and then the construction comes in later. And the number of the schools that have begun construction in 2003, 67 schools statewide. In 2004, we're projecting 88, and we feel on target for that. And in 2005, we're projecting 132. That translates in dollars in 2003, we spent \$664 million; in 2004, a billion is projected; and a billion and a half in 2005.

Now there are also grants that we give. Some of these grants are to the non-Abbotts, which they get whether it's 60 percent or 45 percent -- I mean 55 percent. These grants -- some of them with the non-Abbott -- some of them are to the Abbott school districts as well. In some cases, whether it's Newark or Jersey City or Paterson, there are projects, whether it's a boiler replacement that has to be done or some immediate repair, for less than \$500,000. We give these grants to school districts. That gives them an opportunity to run their own project and hire locals in their community to work on these programs. So some of these grants are also to Abbott districts as well.

And the numbers here -- you can see the number of grants that have been awarded: in 2003, 675; 2004, projected 600; 2005, 450. There's a decline there, you see, in the grants. The non-Abbotts were a little bit ahead of the game in the beginning. They had the land ready. They're up and running. So obviously, they were right there, and a number of the grants were higher in the beginning for the non-Abbott. But as we go, the non-Abbott numbers start going down, and then the Abbotts start going up, because now the land is being bought, the designs are being completed for the Abbott districts, and it's catching up. The grants translates, as you can see, 291 million spent already in 2003. In 2004, we're projecting almost 400 million. And in 2005, 425 million.

ASSEMBLYMAN STANLEY: So the projects are going down, but the numbers are still going up.

MR. RAFAT: Because when you agree to the grant, as they're building the school, there's that curvature of how much to spend. And then it starts-- In 2006, you will see the spending now starts going down for the grants.

The demonstration projects -- this is part of Governor McGreevey's milestone about: let's build communities, let's build schools, let's put money in the economy. And part of it is the demonstration projects. The Act allowed for six of them -- Camden, New Brunswick, Vineland, Trenton, Union City, and East Orange are the six school districts that are getting demonstration projects. What does it mean? It means that it's not just a school. It's a school with homes around it, with stores -- building a whole neighborhood. We go to, really, an area that needs a lot of work, and we pay for the school cost of it, but we also work with the politicians, with the mayor, with the school district and build that commitment -- again, that we provide the support to help them build the stores and everything else. But we finance only the school part.

Now, the health and safety -- when the Act was passed, the most essential part was: let's fix the schools now, the immediate repair that was needed, especially in the north region. They were really in bad shape. The roofs were leaking, fire alarms were not working, doors were not closing, and something had to be done immediately. So about \$660 million was spent. That work is already, practically, done. We're closing out on most of these jobs -- most of them already, actually, have been closed out. And that affected 344 schools, which make the place of school safe for the children to go in without

worrying about: Is there going to be water dripping over my roof when I'm going to school?

The good news is, all that work was done, and there's not even one incident that a school did not open on time or any classroom was delayed -- with the 660 million working, in some cases, while the school is in operation.

ASSEMBLYMAN STANLEY: Excuse me. Wasn't there an issue in Paterson where one of the schools -- there was some environmental issues or something like that.

MR. RAFAT: Well, you have a good memory. But the school opened on time. (laughter) We had to move the kids.

ASSEMBLYMAN STANLEY: Oh, they had to move the kids, but school opened on time. (laughter) It just didn't open at that school. No, I'm just kidding. (laughter)

MR. RAFAT: No, actually there was a concern over there about -- you're right -- asbestos. That was an issue, and that was resolved.

To make the program work better, one of the first things that was done when SCC was established is -- we said that we have to be close to the community. We have to be part of the community. We couldn't run such a large program from Trenton. It would never work. So the headquarter is in Trenton, but we opened four regional offices close to the largest areas that needed most of the work. There is the Hudson County office, which is in Jersey City, right on Washington Street. Actually, I head that office. There is the Newark office, which is right here on Broad Street, 375 MacArthur Highway (*sic*), right on Broad and MacArthur. And we have, actually, George Katuse (phonetic spelling) -- he's one of the senior people in that office -- here with us

tonight. And we have the Paterson office, which runs all the districts that start with a *P* really -- Plainfield, Paterson, Passaic, and so forth. And that's being run by Herman Kolbe. It's actually in West Paterson, two miles from Paterson. And there is a south office in Trenton, being run by John Sullivan. It's actually at 1 West State Street, in Trenton.

SENATOR RICE: Would you run that Newark office again?

MR. RAFAT: Yan Lee.

SENATOR RICE: Who?

MR. RAFAT: Yan Lee.

SENATOR RICE: Yan Lee, yes.

MR. RAFAT: Yes.

SENATOR RICE: Is Yan Lee here?

MR. RAFAT: George Katuse is here. He actually is--

SENATOR RICE: I just wanted to know what Yan Lee looked like, in case I run into Yan Lee. I know what George looks like. Okay.

All right.

MR. RAFAT: I will make sure you know him, Senator.

Now, tonight we wanted to give an example on Irvington -- where we are with Irvington, what we're doing there. Overall, the program in Irvington is \$185 million. The program -- we expect it to be done by the summer of 2008. There is \$17 million of health and safety work that's already completed in Irvington -- and that fixed a lot of stairs, and roofs, and fire alarms, and so forth. Now we have in construction, at the University Six, the fourth floor. It's a rehab, a gut rehab, to convert the floor to a new Board of Education office.

And then we have Mt. Vernon -- it's in design right now. The drawings are practically completed. We are waiting for the permit from the DCA.

And what we do, and as you see, some of these schools that have, like, an asterisk right next to the *Construction NTP* line -- it says fourth quarter. There's like a little asterisk next to it. What that means -- that we plan, on the likes of Mt. Vernon, or Augusta, University, and so forth, that these schools -- we're going to have early packages. If there's a demolition, if there's some site work that needs to be done, we're going to do that as a package by itself. Now, that gives an opportunity for a small business to say, "Hey, I can get on that job. It's only a million dollars. I can do this. I can demolish this building." So that gives them an opportunity to get on a job like that and do it, as a prime contractor, as a prime GC. And I think that that's like a key for success.

So we have, so far, one, two, three, four projects, which is the one that between now and the first quarter of '05 that we are planning. And we will put out early packages on these jobs, and also see that these jobs will have the SBE carve-outs as well -- that we require the contractor to identify who are the SBEs and not just leave it up to them to say, "Maybe I will and maybe I won't."

Next slide -- just a sample of one of the new schools that we're doing in Irvington, is the Mt. Vernon. The existing school is almost 100 years old, and you can see it in the background. It's right there. It's right in the back. (indicating) That existing school is not really good any more for the 21st century. So what we're doing is, we're building the new Mt. Vernon School. And once we finish that, then the existing school will become a swing space so

we can take kids out of other schools and start fixing them. See, the hardest thing about fixing existing schools -- you have a school that's already overcrowded. How can you go to a school that's overcrowded now and say, "I want everybody out so I can go in and take the walls down, take the floors out, and put in new light fixtures." It's almost impossible. By creating a swing space, we can take kids out of an existing school, put them in that swing space, go in, rehab the entire school, and then put the kids back. This way we don't interfere with their day-to-day education.

SENATOR RICE: I have a question. Irvington is my district. SCC -- are you still communicating, and vice versa, with the Commissioner of Education?

MR. RAFAT: I don't personally--

SENATOR RICE: Because, the reason I want to know is, because some of these schools that you have targeted in the design stage -- it's going to happen. They're giving Irvington hard times that the public wouldn't understand. The local politicians don't want to understand sometimes. But I do understand, because the business administrator is like a brother to me, and I make that very clear. But there have been times where he had to argue with the State about conditions that he wanted to fix, but he couldn't fix them, because he knew that from here to here you were in a stage, but that stage wasn't going to happen. And meanwhile, the State's arguing, "Well, yes, but you're going to waste money. You're doing this, you're doing that." Then it was reversed. There were times when they knew that it made sense to go ahead and fix this now, because these other things are going to happen with the schools -- they have to be done anyway, rather than piecemeal it.

So we can document a waste of dollars, but then people come in there from the other side of government -- I mean the Education Department -- scolding saying, "You got this problem, or you should have fixed this this way or this way." And they're saying, "But we're in for a new school, we're in for some rehab, we're in for whatever." Are you all connecting? Because it seems to me that if the Commissioner of Education realized that they're going to look at things, they should have their list saying, "Well, we know there's a problem there, but the problem is not detrimental to the youngsters' health, safety, and welfare, and they need to be fixed. But we don't necessarily have to do this now because we know they are at this level of whatever they are going to do from the SCC."

MR. RAFAT: I'm going to call them tomorrow, because we are connected. I just, actually, met with him and the mayor and the superintendent the other day. He commended us for the good work that we do. And so I will reach out to him and see if there is anything there. But we have been, practically, in weekly, if not daily, contact with the school district.

SENATOR RICE: Well, he may be okay now.

MR. RAFAT: Yes. I think--

SENATOR RICE: I'm going back a few months. But you try him anyway, and tell him I said, "We should help." But my concern wasn't you, necessarily, reaching with him. My concern was whether or not Librera's office is connected with SCC, so when they send their team of men messing with folks, that they know that SCC is at this stage of taking care of this in the first place. Do you follow me?

MR. RAFAT: I follow you. The good news is that the health and safety apply to what you're talking about, Senator. In the health and safety, the DOE played a key role in saying, "Listen, you're going to fix only this part of the roof. You're going to fix this door." Because they were the ones that went out there and checked the existing conditions.

Today we are in much better shape, because now the SCC actually goes out-- The DOE just says, "Rehab that school. Just fix it." And today we're going out there with the likes of Bovis and the consultants, the architects that we have, and we go out and we say, "You're right. This needs to be repaired. And not only that, we think also this one needs to be repaired, because it will cause you a problem later."

So I will reach out to him. And please do the same. I think we fixed a tremendous amount of work for Irvington in the last year.

SENATOR RICE: Well, not just Irvington -- I was speaking in general. But reach out. But the other question is, when you're doing those things, are we doing a better job now in making sure we approve on time? Because Irvington had a school at one time -- I think it was the roof -- it should have been done. The money was there to get it done. Nobody was approving anything. We kept saying -- but the whole idea was to get it done over the summer so the kids don't have to go back in there. And they pushed that thing right into the school year anyway. But that was the State process.

MR. RAFAT: Today, the approval is by the regional office. Things that Irvington requests, it comes to my attention, I would say, within 24 hours. And the decision is made right there and then.

SENATOR RICE: Well, okeydokey. So you're in charge of the region. Irvington comes under you?

MR. RAFAT: Yes. Yes.

SENATOR RICE: That's good to know.

MR. RAFAT: Okay.

The Mt. Vernon School also has a media center, a cafeteria, a gymnasium, some community features that, when it opens, it allows a community to use their school. So it's not only just a school for the children to go throughout the year. It also allows the people who live in the community to be able to use the school. We're doing that -- and we're working out in Newark -- we're building two schools that have community features as well. And Central High has a pool, doesn't it?

UNIDENTIFIED SPEAKER FROM AUDIENCE: Both the schools have pools.

MR. RAFAT: Both schools. And the science high school, they have pools as well. The district is paying a portion of that cost, but also pays for the community to use these schools in the future.

SENATOR RICE: You didn't want to give us that pool, though. We had to pull teeth to get that pool that was promised at Central. I'm glad to know they got the pool.

MR. RAFAT: They got the pool.

ASSEMBLYMAN STANLEY: Excuse me, Mike. I don't want--

MR. RAFAT: I'm almost done.

ASSEMBLYMAN STANLEY: --be disrespectful, but I did-- The idea was to try to get testimony from folks. And I don't want to be unfair to the

people who have signed up to testify. I said that we would have a few minutes to -- we'd take a few minutes for SCC to give a brief presentation. But, I mean, you're certainly at our access all the time, and we certainly will be calling you in to discuss where we are, periodically. But if you could wrap up for us.

MR. RAFAT: No problem.

Can you just put the next slide?

Actually, it's self-explanatory. I'll leave it hanging there. It tells you so far the SBE participation -- at what levels we have so far. These are real numbers. For the PMFs that we use -- the likes of Bovis, and so forth -- we have 33 percent; design consultants, 50 percent. We have the University Six that we're doing in Irvington, it's 100 percent participation. The prime contractor is an SBE. I'm showing here the carve-outs that we have in Irvington that's coming up, and it shows you the name of the schools. I can just leave that there.

And pretty much, that wraps it up.

ASSEMBLYMAN STANLEY: Very good.

You said you got a goal of 42 percent. Do you have any idea of where you are with respect to minority and women Work Force participation?

MR. RAFAT: On the health and safety, we could not reach a goal. On the health and safety, we're probably somewhere around 20 to 25 percent. Now, with the new schools, we feel much better, especially with Kellie's team on our side. We feel much better that we'll be able to accomplish the goal.

ASSEMBLYMAN STANLEY: Okay. Yes, we certainly would like to -- I know I would, and I'm sure Senator Rice has probably done so already -- but it would be -- certainly welcome the opportunity to tour some of the

facilities. I talked to Jack Spencer last week, and I indicated I would like to tour some of the current projects just to get an idea of how we're coming along, and get a look, firsthand, of the apprenticeships, the minority personnel on board. And even, like Senator Rice said, wake up the people in the cars, or whatever. But certainly want to make sure that we're sticking to what it is that we're saying we're doing. It's very, very important.

I certainly appreciate your coming today, Mike. Thank you very much; very informative.

MR. RAFAT: Thank you for having us.

There's one thing I want to say for the Councilwoman from Elizabeth -- that everything she said I wrote down, and I'll make sure that the people who work in Elizabeth are aware of it. And we're going to have to take some action there.

ASSEMBLYMAN STANLEY: Thank you very much.

MR. RAFAT: Thank you.

SENATOR RICE: Assemblyman, when -- because I had also mentioned to the State that I was going to tour. But I haven't toured Irvington -- but I want to do Newark, too -- but I'm trying to get a schedule on them. Would you coordinate with my office so we could, probably, do it at the same time?

ASSEMBLYMAN STANLEY: Sure.

SENATOR RICE: Okay.

ASSEMBLYMAN STANLEY: Okay. We have a person here from J. Martin Associates -- Michele O'Toole. Is Michele O'Toole still here? (no response)

Howard Ridkes, from Shauger Group? (no response)

Joe Hernandez, from the Newark Mechanical and Hispanic Chamber of Commerce? (no response)

Dave Grupp, from Excel Environmental Resources? (no response)

John Kennedy and Cecelia Kennedy, from The Multitech Group.

All right, Mr. Kennedy. Come on down.

**JOHN W. KENNEDY, Ph.D:** Thank you for having this opportunity for us just to explain-- I'm John W. Kennedy, and one of the principals at The Multitech Group. We're a certified, small, woman-owned business. My wife is, hopefully, getting us business from the MTA right now, so I am the designated person to come on down.

I grew up about 20 minutes away from here and still live there. I am a proud product of the public schools. So when I look at this program, I think that it's very important that it goes on. Because if we don't develop and educate our children, then no one will.

That being said, we've gone through the certification process with the SCC and found it to be a reasonably fair process, which was great. We had a lot of help, and we got the opportunity to be part of this team. We've also met with them and found it to be -- the people that we've dealt with -- very positive in our respect. The problem is, is that as a small business you don't know how the opportunities exist or where they come into play for you. It's confusing to follow up on these situations. What you do see is the same A and Es, engineering firms -- and that's what we do, engineering. You see them, finally, the same names come up time and time again. No one in New Jersey likes the concept of pay-to-play, but it's confusing when you look at it and you

see somebody giving money to a political party, and then they wind up with a significant portion of the contract.

Small businesses can't do that, even if it's legal. We can't afford to spend our money. Like many small business owners, not only in New Jersey, but across the nation, we put everything we own on the line to own this company. Because we believe in ourselves and we believe in our staff. And even though the company is 28 years old, we've only owned it for seven years, and we've grown and we've developed. But you don't have the money to go after these things and to advertise or get involved.

I like a lot of the goals that exist, but I wonder if they're real. With some of the government contracts we do-- We have contracts with the government, and they say, "Okay. We have 30 percent small business participation." But the reality is, is that about 95 percent of the money is going to larger companies. So a contract doesn't mean you're going to get work. We have a contract with TSA/DHS right now. We have absolutely no work with it. So it's a great thing to put on your customer list, but in reality it's not much there for you. So it's the dollar value that gets back to us.

We've spoken to a lot of the companies. We've called every *A* and *E*. We've called every construction manager. We've had good conversations with them, but no work stems from that. Most of the smaller businesses we've talked to say the same things. They say that they're not getting work, and that's a struggle. You get locked out of situations because these teams are already created and already there. So how do you get that opportunity?

And it's not that any of us -- as small businesses, as women-owned businesses, as minority-owned businesses -- want gifts. We don't want gifts. We want an opportunity. And that is the struggle.

I'll give you an example, and then I'll shut up. (laughter) When we met with the SCC, back in March, they came up with this, "Well, you guys are perfect for this program that's coming up. We're looking for professional staffing services." And one thing that TMG does is -- does technical staffing. It's part of our business that has grown the largest over the years. And we're doing this with the Port Authority of New York/New Jersey for 24 years, the MTA, and so on. When the RFP comes out, it looks great. There could be up to 5 million, could be three to five years. That's wonderful. That's something right down our alley. The problem is, is that when you read it, it tells you, you have to have these positions. Well, not only do you have to have these positions, but you have to have them on staff right now. Now, I don't know about you, but not too many companies I know can have 16 people to start on staff right now, ready to go. It's impossible for a small business to have that. It's impossible for most businesses to have it, unless they already know that this type of work is coming down the line.

So when you deal with that -- we're going to go after this, but we're not going to get it. We know that, because we can't comply. But we do know that we can fill these positions, because we have a 8,000-person database, technically based in New Jersey, that's been in existence for 28 years, that we turn over twice a year. So we know who's out there.

And as an engineering firm, we interview everybody, through our people, that are -- they're great engineers, professional engineers, professional

contract managers. But the fact is, we'll never get this. It will go to a large firm or two, and they'll divvy out so much, and you won't-- Because the reality is, too, is that since you don't know exactly what it's going to be, there's no way of telling how many percentage is going to go to a small business, even though there's set-asides in there. And there's a difference between a set-aside goal and a set-aside actuality.

So this is wonderful. We loved the opportunity. We found the SCC to be good people, and honest and straight with us. That's a plus. But certainly what we'd like is the opportunity to go to work and do some work in our home state. We have about 40 to 50 people. We're all New Jerseyans; we all pay taxes. We all love living here, but we want to go to work. Don't give us anything because we're a small, women-owned business. Give us the opportunity that doesn't exist right now.

Thank you.

ASSEMBLYMAN STANLEY: Yes, Mr. Kennedy--

DR. KENNEDY: Yes, sir.

ASSEMBLYMAN STANLEY: --you said you do work with the Port Authority?

DR. KENNEDY: Yes.

ASSEMBLYMAN STANLEY: Is there any difference between the way that the Port Authority goes about giving you an opportunity, in the way that you find this process to be?

DR. KENNEDY: In the staffing side, yes. You have an opportunity-- What they do is that -- we have a contract for 24 years. And what you get is, it's a rotating basis once you get a contract. And they'll come

to you and say, “Multitech Group, we need a bridge inspector, and these are the requirements, here’s the price range, here’s when we need it.” This person could be under your direction, possibly, or under the Port Authority direction.

ASSEMBLYMAN STANLEY: Yes. The reason I asked the question is that I’m trying to find out if there’s a difference between the process that SCC is undertaking, or that’s being undertaken throughout this particular program, and that which even other departments or other public entities use. Because I think that that staffing requirement is somewhat onerous to small businesses. If you’ve handled projects of the same size with other entities, to me that should basically speak to whether you have the capacity to handle it with this Schools Construction Program as well.

DR. KENNEDY: Well, we do about -- between 1.5 and 2 million, annual, with the Port Authority for the last 10, 12 years, and 24 years worth of contracts. It is different. Now, we were told at the pre-bid meeting that it’s patterned after the New York program for SCC. And they’ve been very successful, we’ve heard, and so on; and that’s all great, but I don’t know big companies that can have 16 to 48 people sitting around waiting, that do nothing, you know.

ASSEMBLYMAN STANLEY: Yes, I agree with you.

DR. KENNEDY: And you’re not going to pull somebody out. What they told you was, “We can’t even guarantee a day.” That’s what we were told. Because people were asking, and people got up and left the meeting. I’ve never seen that before in a pre-bid -- people just got up and walked out. Because when they said something like, “Well, we can’t even guarantee that somebody will work a full day--” I don’t know what company can have

somebody sitting in the bull pen, and they want the left-handed reliever for one inning. That's not the way business works, and that's onerous on small businesses -- large business can't do that either, unless they know something more than we do. Unless they know there's going to be a significant amount of work. We don't know that.

ASSEMBLYMAN STANLEY: How would you suggest that this particular hurdle be -- maybe this requirement be changed? How would you suggest -- what would your recommendation be?

DR. KENNEDY: Well, I'd like to see it be more like other contracts like we've had, wherein you are given the opportunity to perform in small increments to prove that you can do the job. But you get a contract, and you get maybe four requirements, and you have to supply those people. And whether you're overseeing them or not isn't the point, you have to perform that these people are qualified and ready to go. That's the way the Port Authority does it. That's the way the MTA does it. That's the way New Jersey Transit does it. And we've worked for all of them. So that, at least, gives us an opportunity. The fact that they have to be on our payroll right now, we're not going to do it.

ASSEMBLYMAN STANLEY: I can see that.

Senator.

SENATOR RICE: No. I'm fine.

DR. KENNEDY: Thank you.

ASSEMBLYMAN STANLEY: Thank you very much.

I have Bill Bocra -- has here, wants to speak later, but I guess it's -- now is later.

**WILLIAM BOCRA:** Good afternoon--

ASSEMBLYMAN STANLEY: Thank you very much. Welcome.

MR. BOCRA: --Senator Rice, Assemblyman. I've been in the construction business, basically, since I was a young man. I am the President of a company called Dean Development Company. I have already completed certain projects for the SCC. I completed a project in Franklin Lakes for Coleman Industries. I completed the Martin Luther King School in Passaic, New Jersey. I'm presently working on a project in Hightstown, New Jersey. I'm presently also working at Princeton High School, which is funded by the SCC.

The SCC, what they're trying to do, this could work. But you have to be very careful how this works. There's problems out there. The subcontractors are not getting paid. A subcontractor, like myself-- I finished a project at Martin Luther King School last September. I completed a change order last May 18, for \$261,000. I'm still not paid. I have another project in Princeton. I'm owed \$490,000. We are a small business enterprise company. I work out of my home. I have eight or 10 pieces of equipment, 12 pieces of equipment. I have union personnel. I've had some minorities work for me at Martin Luther King School. I am all union. This cannot work the way it's supposed to work. I don't care-- I've been in this business longer than the majority of anybody here in this business, and I know this business from Newark Airport and what I've done, when I was 20 and 30 years old, to welding along the waterfront all my life.

The whole concept is good. To get bonding, when you're a little outfit and you have no assets, it doesn't work. You can't get bonding. The

State could say they give you bonding. This morning I went and looked at a job, and the general contractor abandoned the project. Every subcontractor there is stuck. The new general contractor has asked us to give him a price to do site work on the project that's abandoned. And this is up in Watchung, okay. I will be there tomorrow morning, at 7:00, with one of my engineers to turn around and to get an estimate on the site itself of how much dirt has to be removed. Okay. Because that's what I'm -- right now, this is what I've been forced to do, because everything doesn't work.

The general contractor, they come in, let's say, from Pennsylvania. They're bidding, now, work for a cost. They bid work for cost. They put out a bid there, \$20 million. They now get a project from the SCC. Great. What's the first thing they do? They bring in their subs that bid the job to them, and they make up the difference in the money that they're low on the bid. And the little guy is starting to get hurt. Then he tells them point blank -- there's a 10 percent retainage. Well, he don't give you all the specs on the job. He gives you the drawings pertaining to your work. He then gives you some depth analysis of the material, of what you're working with, but he never tells you point blank that he is being held back 2 percent, and he is now holding back 10 percent of your money. So what happens? He turns around -- let's say your job is a million dollars and you go to work for him the first month. And he's supposed to pay you \$100,000. He holds back, and he's supposed to pay you 90,000. So he pays you 90,000, when in effect, he's supposed to pay you 98,000. So he's working on \$8,000 of your money.

This is constant. You have an extra -- a change order. A change order that I did for a contractor, that was not even in my contract, to push the

Martin Luther King project ahead on schedule -- I did it in 19 days. We were working there 9:00 at night, 10:00 at night. I have signed tickets on it by the project manager, who is Bovis, and the general contractor, who is Coleman Industries -- signed contracts on everything we did, everything we bought. I finished it last May 18, a year ago. The total came up to 261,000. I have not been paid one penny on that. So how can you expect some small female-owned business or some small minority guy to take a job for \$700,000 or \$400,000? It just don't work. It just will not work.

Last October, in Hightstown, an SCC project, we were excavating and the engineering firm and the general contractor told us, "No, we have to excavate deeper." In other words, we had 18 inches to take out along a road. But we wound up taking out as much as five feet. We told them to get the material off site. Well, to make a long story short, we still haven't been paid for it. It's only a \$24,000 change order, but they don't pay you. The SCC, the money is not coming out fast enough for the construction managers to give it to the GCs. The GCs are coming in -- there's so much work out there. Everybody is coming into this state to bid this work, and everybody -- all the little guys, like ourselves-- I have my house in jeopardy. Right now, from three schools, I'm owed over a million dollars, and I can't afford that. I'm financed up to the hilt. I'm back a couple of months on a piece of equipment. Before you know it, someone is going to come in and take three pieces of your equipment and just yank it away over a weekend, and you don't even know where the hell it's at. And nobody can understand this does not work the way it's set up.

It can work. It can work if you watch your GCs. You got too many guys out there that are not legitimate. They are unscrupulous. They will

beat me-- For example, if I don't get paid a million dollars, how does that affect the little trucker, the pipe guy, everybody down the road gets -- trickled down. Everybody gets hurt, by me getting hurt. The GC, he comes from Pennsylvania. A lot of them right now -- one of the biggest ones right now is bidding work so cheap-- On March 9 of this year, this fellow could not bid the job on March 9 at 10:00. At 12:00, he was told he could bid. And at 2:00, he got a \$13 million job. Now, you tell me something: How does this happen? And you tell me, okay? This happened, this March 9. Yet the same contractor, if you go to the Internet, was thrown off a project in Lower Merion, on February 27. Now he's thrown out of his home state in Pennsylvania, he comes in here, and he bids work.

Just this morning, as a matter of fact on the way here, I spoke to a district manager of a local down in Atlantic City. This same company forced this man into bankruptcy, and this guy went and blew his brains out. SCC project. I'm not saying that there's something wrong with the SCC. What Governor McGreevey and you guys want to do is fantastic.

The engineering companies -- the guy is right, the other fellow who spoke in front of me -- it's hard for a little guy to turn around, to compete against the big guys. It's real hard. The little guy cannot-- If I want to hire a small, minority contractor -- let's say a guy to do my trucking -- I know how difficult it is. You have to try to put this here -- how does this trickle down from Bovis to Hill International to Epic? How does this come down, all the way down to little companies through the GCs? The GCs are the ones to worry about.

I don't have to put up a bond. There's nobody says I have to put up a bond. Yet I have qualified men. I used to carry, believe me, 300, 400 men at Chevron Oil, around the clock, back in the '70s and '80s, when I owned Perth Amboy Iron, before I retired, and I went back in business. And I'm having a hard time here because the GCs will not pay.

ASSEMBLYMAN STANLEY: Well, we certainly have to be sensitive to that issue. Because, as you say, no small business, no minority businesses that don't have a lot of capital just lying around -- which none of them should, much less do -- are going to be able to withstand those kinds of delays. And maybe we can find out, exactly, if we can put some kind of pressure on these general contractors. SCC has to be able to somehow put pressure on the general contractors to provide payment. There really needs to -- we really need to look into this particular dilemma. This is a deal breaker here, if you can't get paid in an expedited fashion, let alone have to wait an exorbitant amount of time. But we're talking about an expedited payment system for small businesses.

MR. BOCRA: It's not there.

Last week we went to sit down with one of the general contractors, and he says to me point blank, he says, "Bill, I'll tell you what. My people say that I can pay you \$300,000." Now he owes me \$430,000. Now that means I got to take a \$130,000 hit off this one job. Now I got three jobs. I take \$130,000 hit here, I take \$130,000 here, and I take \$130,000 hit here. That's \$400,000. Now, which one of those little subs do I go to -- "Okay, you get paid. No, you don't get paid. You get paid. I don't like you, but you don't get paid." So how do you turn around, and how do you make this-- Seriously.

SENATOR RICE: Yes, I'm serious, too. You don't take a hit. You take a hit when you didn't do the job. You take a hit when you didn't go back and do the punch list. You take a hit when you fault.

MR. BOCRA: That's right.

SENATOR RICE: You do the job, you get paid. That, I thought, was established in the record when we first started this process -- come out of the Abbott decisions. Because I know too much about construction. I don't build nothing, but I know how small contractors get hurt. I know how they hold your money. I know how they give you a punch list that's not your punch list, just to work your money. But there is such a thing in this state as prompt pay, too, and that has not been dealt with. It needs to go back and be looked at.

Your situation, so we don't hold up this meeting, you need to get with me and let me know everything that's happening to you. And also, let me know, if you don't mind, who this company is. Because, I question companies like that -- how do you come in and get work. Also, when the process was set up, we said in that legislation -- we said, on the record, that we wanted a priority going to New Jersey residents, New Jersey businesses first. Just like we like to see stuff go to local. Because there was talk about, "Well, if we don't go out of state and get contractors, there's going to be so much work to be done." We said, "You're not going out of state to get anybody until New Jersey people have an opportunity to do that first." That's like us complaining about somebody going to China, but we want New York and Pennsylvania.

Now, I understand the South Jersey relationships with Pennsylvania. Some folks think that they don't live in New Jersey. Now I understand that. But where I'm from, that's not the way it works.

I'm going to give you my card. You can write it to me. You don't have to put your name on it. You can tell me how to find the company, tell me what Web site to go-- I don't care. Because I'll be the one to tell SCC, "I want them looked at." I'm telling you on the record, right now, I want the information on that company. But I also want to know why they're not getting paid? I also want to know -- and I want this through the Chair in writing -- I am the Chair, but through the Subcommittee Chair, okay -- in writing-- I want to know why a company wanted to take a \$130,000 hit? Do you understand what I'm saying? If, in fact, there's dispute, then what's the dispute? Because that's the only way you're going to hold money. Then once this dispute is resolved, expeditiously, then he either agree or disagree that he's due that money or not due that money.

I've seen that happen. I've seen a contractor -- who is a friend of mine, and I was at the table -- hold \$300,000. They say it's a dispute -- and I won't name the contractor, they still do work here -- of 20,000. The contractor said, "Well, I disagree." Developer said, "Well, we're going to hold \$20,000. We're not paying, there's a dispute." "Well, I disagree. You hold it until we get the paperwork. Give him a check." "What check?" "Well, you owe me 280. Is there a problem with 280?" "No, there's no problem with 280." "Well, hold the 20 and give me the 280." And the guy, he said with me sitting there, "We're not giving you the 280, because we have a dispute with the 20." So I intervened and said, "Is there a dispute with the 280?" "No, there's not." "So you're

telling me that the contractor is due that money for the work done, and you're satisfied with the work?" "Yes, I am." "But there's dispute with the 20, right?" "Yes." "So didn't you say you were going to tell them to hold the 20? You both agreed to hold it?" "Yes, we did."

Do you know what he said? I said, "Well, why then are you holding the 280?" "Because I don't like his attitude." I said, "For \$280,000, you wouldn't like my attitude either." And then the contractor -- I'm going to end on this -- said, "Well, this is how I learned this stuff, years back. Well, we'll put a lien on the project." I knew what that was. Then the developer comes back and says, "Now, come on, we've been around a long time. We know each other. I'm going to bond your lien." I said, "What does that mean?" He said, "He knows what it means. It means that I owe him \$280,000, I've got to pay him, but with that bond it will take three or four years to pay him." I said, "He'll be out of business by then."

That's the kind of stuff that I'm trying to find ways and means and suggestions to write laws around, so that folks know, in New Jersey, you come and you're right. You don't use our system to abuse people and to rip them off. Because to me, it's fraud. And I think he should be held criminally liable for that kind of stuff, if they cannot justify why they want to take, whatever the dollar amount is, from any contractor, etc. And when you take a look at the retainage -- because if there's going to be a 10 percent retainage, is that arbitrarily -- why is there 10 percent retainage? Is that something that we allow people to do arbitrarily and we have to agree to it, or is it something that -- my retainer can be based, because there's retainer at the top? If there's 2 percent here, why are you working eight off me?

MR. BOCRA: Well, sir--

SENATOR RICE: Yes.

MR. BOCRA: --one gentleman on the job has 2 percent retainage. I have 10 percent.

SENATOR RICE: That's my point.

MR. BOCRA: That's because they don't give you the specs. Bovis -- Bovis is a great outfit. You call Bovis-- You mentioned Bovis 10 times before. You call Ali (phonetic spelling) right now, you call Magic (phonetic spelling) right now, you ask them point blank, "What kind of contractor is Billy Bocra? Would you have him on another job tomorrow morning?" And they'll say, "Yes." In your paperwork you said you got to have 15 copies. Well, I'll tell you what I have here. I have 15 copies of three separate liens on three separate jobs. I have 45, here, pieces of paper for you, on three separate liens for three separate jobs, to let you know how serious I am with this here. Because if people like me don't come out and bring it to you guys, then you guys will never, ever learn.

You guys, sitting there at the SCC, never see-- What does my wife and I have to put up to get all this work? I have 1.7 million coming in. What do I have to put up? I got to put up 10 acres in Milltown, I got to put up my house, everything I own is on the line. Thank God my three kids are educated. Everything I got is on the line. It's not right. You have to look into this, because you've got to make this thing work. And if you're not careful, that 8.6 billion is going to be 20 billion, if you don't watch that number. Because my contract started at \$400,000-and-some for Martin Luther King. I went -- I did extra work for the mason contractor, the concrete contractor, he couldn't do the

underpinning. I've done underpinning all my life. I used to have pile rigs. I said, "I'll do the underpinning." They said, "All right." I gave them a price. I gave them a cost-plus number, what it's going to take. They said, "Look it, can you finish it in 30 days?" I said, "Yes." I finished it in 19 days. I saved the State money. I try to do everything I can.

You had somebody come in to do the waterproofing. The fellow comes in with two guys. For the next week and a half, there's one guy working. I got 10 men on the job. I got to wait for one guy to work, to do the waterproofing, so that I can turn around and backfill the property. And then the general contractor says, "Well, lay your men off." You can't do that. You just can't take a man that's working out of the union hall and say, "Well, you take off four days today, because this contractor over here, he does not want to put additional people on the job, because that's going to affect him somehow." And the general contractor, he don't care.

Because here's what happens, and this is what's important. You sit down with the general contractor in the beginning of the job. And let's say you have a million dollar contract. What's the first thing he wants to do? He wants to make money off you, off the front end. So he's going to try to beat you down at least 5 percent. So now you think you're going in on a million dollar job. You're walking out of that, all right, with your hat in your hand if you got a \$940,000 job. Now you just took \$60,000. Now, over the time of that job, while you're working for that guy, that 60 is gone. Now he's working on the 10 percent he's holding back. So by the end of the job -- on a million dollar job, if it takes 10 months -- that guy is sitting on 90,000 or 100,000. So there's 150,000. Now, if you do anything wrong on the job, or if you do anything for

him-- Let's say you do some extra work for him, like I did quite a lot of extra work, which I have signed tickets for. They said to me point blank, "Well, that's not part of your contract." Well, no. Your superintendent asked you to do this work, and you did it for him, and you have a signed ticket. Well, they don't want to pay you for that. My question is: Who did the work? Did God come down and do all this work? Or did our employees do this here work for you? They don't want to pay. And every GC, basically, except your real decent ones -- your real decent ones are way above board. The average guy out there -- we're all going to get hurt in this here.

And I'll tell you what -- I want to thank you very much for hearing me, because I think this is very important. I'd like to give you a card, sir, and I'd like to have your card, because I would like to speak to you on other matters involving this.

SENATOR RICE: I'd like to speak to you, too.

ASSEMBLYMAN STANLEY: Next we have Clarence Plumber, from Plan A Documents, Inc. (no response)

And thank you very much for coming. We certainly appreciate your testimony, and we will be speaking with you in the future.

Oh, yes, welcome.

**THERESA EVANS:** Oh, good afternoon.

Clarence Plumber couldn't be here today, because of prior engagements. So I'm standing in for him now.

ASSEMBLYMAN STANLEY: Okay. If you could just state your name and your company.

MS. EVANS: My name is Theresa Evans, and I'm from Plan A Documents. I was recently hired as a Southern Jersey Regional Manager. I would like to start off by thanking you for giving us an opportunity to be heard.

We are here today to introduce new technology in the field of construction printing. We are a reprographic company that has been awarded, by the SCC, a contract for printing construction documents. We had the opportunity to successfully use our new technology in several school districts. And by applying this new technology, we found that it saved time and money in the production of hard-copy documents.

We want the SCC to understand electronic printing and filing on documents so that they can better inform their PMFs, who purchase the bulk of documents. Because when we try to approach the PMFs, they usually already have contracted someone for their printing. But what we're trying to do is, basically, introduce new technology to that, that can get the job done faster and save time and money. But they're not so open to hearing that, because it's already filled. And we feel as though, if the SCC understood this, then they can possibly refer the PMFs to look a little closer to what we are offering. Because new technology is thinking outside of the box and is something that can help the community as well.

We want to bring the advantages of electronic documents for storage and distribution on a local basis to the PMFs. This new technology can be a great value when school projects are closed out and managed directly by the schools themselves. New technology is, like I say again, is thinking outside of the box. We at Plan A feel that it's equally important to get the community

involved in learning this new technology in the field of construction and providing jobs. So if there's any PMFs that's looking for outreach programs or to enhance their outreach programs by learning this new technology, with using the people in the community, then we are definitely looking forward to talking with them to do this.

And being a single parent of two, and a minority business since the age of 18, knowing that it's really important that we have this kind of opportunity-- I was fortunate enough to raise my two kids, and they're both in college, I'm proud to say -- but I know it was hard. So we basically asked them for an opportunity for the SCC to understand what we have to offer. Maybe tell the PMFs to just look at it a little closer and take it from there. Again, if they want to start outreach programs, we're definitely interested in helping, because I do have an entrepreneur background and training.

So anyone, feel free, you can contact me, and we can tell you more about it.

ASSEMBLYMAN STANLEY: Thank you, Ms. Evans.

MS. EVANS: Thank you.

ASSEMBLYMAN STANLEY: I believe that we spoke on the phone.

MS. EVANS: Yes, we did.

ASSEMBLYMAN STANLEY: And actually, this is a service that Plan A Documents provides. It may be a little different from the norm. And as a matter of fact, it's a cost-saving measure whereby the documents are stored electronically. Is that correct?

MS. EVANS: Yes, that is correct.

ASSEMBLYMAN STANLEY: Okay. Perhaps we can have the Schools Construction Corporation sit down with Mr. Plumber, or yourself, and go over exactly what it is that your company provides. And maybe there is a way -- I think there ought to be -- if it's going to be a cost-saving measure, maybe -- and I'm not 100 percent sure how much control SCC has over the PMFs. We're going to talk about that and the general contractors, I'm sure. That's going to be a topic of a discussion at some point. Because if it is a cost-saving measure, it should be something that we should be able to direct and advise and encourage, if not mandate.

But I certainly thank you for coming up.

MS. EVANS: And thank you, too. And also, I have to acknowledge Uva DiPallo (phonetic spelling). He's our technical vice president. So if anybody wants to contact him, they can.

ASSEMBLYMAN STANLEY: Fantastic.

MS. EVANS: Thank you again for your time.

ASSEMBLYMAN STANLEY: Well, thank you very much. I appreciate your coming.

Next we have Claire Gabert, from Gabert Designs. (no response)

Let's see, is Lydell Schurer (phonetic spelling) here? (no response)

Lydell here? (no response)

William Major? (no response)

Karen Cooper? (no response)

Here's someone whose name I know and who I thought was here, and now I don't see her.

I have Marjorie Perry here.

Has everyone provided us with sheets for testimony? (no response)

I know Lloyd Dowdell is here. Lloyd, would you come on down?

Lloyd Dowdell, from Lloyd Dowdell Consulting. I appreciate your coming, Lloyd.

**LLOYD DOWDELL:** Thank you very much.

Good afternoon, Senator Rice and Assemblyman Stanley.

I am a small, minority-owned business, certified in the State of New Jersey, and also registered as a New Jersey corporation. I got to tell you how excited I was, as an entrepreneur, when I learned of the potential of business opportunities at the Schools Construction Corporation. And that excitement led me to put a team of individuals together, of the minorities, to pursue opportunities at the SCC, in particular some of the RFPs that they had announced.

And to make a long story short, we responded to one of the RFPs. We put what we believed to be a high-quality team together, and these were really well-established minority enterprise businesses. And to make a long story short, we lost the bid. And we were a little set back by that, because we kind of knew who was in the room during the bid conference. And we kind of had scoped out what their potential -- and so forth, and so on. So we weren't satisfied, so we decided to, through OPRA, to contact the SCC and to, kind of, get documents on the organization that won the bid. So when we had an opportunity to look at it, it was really, in our opinion, very disgraceful that they selected that firm over our firm and some of the other firms that also submitted bids. So that was a bad experience.

It was the beginning point of some disillusionment on my part, as a minority, that there was real opportunities available at the SCC for companies like myself and my colleagues that were a part of this RFP that we bid on. That was my first experience with the SCC. Things were compounded a little bit more, Assemblyman, as you know, and as the Senator knows, and for those that are here that don't know-- About three years ago I started working with the Department of Education on an issue that's very important to the community, and that is an issue of the digital divide. About a year ago, I was brought on as a consultant to the Department of Education to address the issue of the digital divide.

And just getting right to the point, as we began to scope out whether or not there was an issue in New Jersey with the digital divide, and what the problem was, and how to solve it -- when we got to that third component about how to solve it, I was told that the SCC was looking at helping out in this area. And I was given a name at the SCC. So I said, "Well, gee, I've been working with the Department of Education on this issue for quite some time, so let me contact this person at the SCC." And what I was told was that, "Well, thank you, but no thanks. We're looking for someone, a large corporation that's got resources that could really handle this job." I was told by the Department of Education that I knew more about the issue than a firm that came to talk to them about the digital divide, and that was IBM. And so I was set back by that. But again, I think more disillusionment set in.

And so I guess what I'm here to say to you today is that, because of those experiences, I'm not really sure if there are any real opportunities for minorities, firms like -- I can't say all minorities, I know some minorities are

able to get contracts -- but for the masses and for the numbers that I think that the State would like to achieve. I'm not really sure. And I'm certainly disillusioned that there are -- whether or not there are any opportunities for my organization, my company, and my colleagues that have gone through this experience. So I'm not excited anymore about the possibility of business opportunities with the SCC. I hope that this changes. And I'm sure I'm not the only one who feels that way.

And I just want to tell you how much I appreciate the Joint Committee on the Public Schools -- Senator Rice, yourself and other members of this Committee -- to have these hearings and to be concerned about the participation of small businesses, minority businesses, women-owned businesses. I just want to say that I thank you, and I appreciate the opportunity to give this testimony.

ASSEMBLYMAN STANLEY: Thank you, Lloyd.

You come here with, certainly, a lot of credibility, in terms of your abilities and also your honesty. And I certainly appreciate your testimony. Senator.

SENATOR RICE: All right. Who is here from SCC?

First of all, I need someone to get with Lloyd to find out exactly what it is he's looking at. See, the one thing I don't think that people at SCC or anybody else in government want me to do is to start to get names and identify companies who got bids, and have me, personally, start to go look at that. Primarily because I'm a former investigator. But number two, I have networks that can help me identify, in the construction area and the professional world, some of these entities. And I've been in government long enough to see

these same names coming and going back and forth, and some of the political relationships. Now, I do really think that SCC, as an organization, at least the leadership at the top -- there's been two, actually three with EDA -- want to do it right. I'm not so sure what's happening with "the politics" as it relates to breaking this stuff down where there's a sharing relationship.

I am political. I do get elected. I do go to a lot of these political functions. I happen to know who the folks are there, etc. I'm even going to the golf course now, so I'm starting to see people. So I think relationships are important, but they shouldn't be to the extreme where they influence the process so greatly that there isn't shared work. Then I guess the other question, that maybe someone from SCC can answer, if you can, through the Chair -- if you can send me the information -- what are we doing to match the big companies with the little guys? I always argue, from that, when given the whole thing, that we put them together. And at what point in time do you take the little guy, who's qualified to get the contract, and let the big guy know that that guy has the contract, go talk to him? It seems to me that little people never get big, because they got to keep talking to big people. Maybe sometime big people should start talking to little people, and then they'll grow. So can someone answer that for me, or do you want to send me a long memo I got to read. I don't do e-mail.

MS. DRAKEFORD: Senator--

SENATOR RICE: Yes.

ASSEMBLYMAN STANLEY: Kellie, would you come up to the mike, please?

MS. DRAKEFORD: Under Diversity, we have a mentor/protégée training, and we're still working it out. But what it will do -- we'll match PMF firms, large construction firms, with the SBEs to create a mentoring relationship, to help match them so that as they begin to go after contracts. It tells them how to go after contracts, how to bid, how to do their proposals. So we are monitoring it. We are beginning to just really kick it off. So I understand what you're saying, and how do we get them together. We're working on it right now.

SENATOR RICE: Kellie, how long have you known me?

Some people don't need to learn how to bid, how to put together a proposal. They're bidding right and they're putting proposals in. Some are the most -- the lowest response of a bidder. They're still not getting it, because they're women, minority or geographic -- where they're from, or called disadvantaged whites or another ethnic. That's real stuff. The point is, who's going in and saying, "Well, look, if Ron Rice Corporation, this multimillion dollar corporation, getting this-- We're telling you that we look at all the bids -- you're going to get this." But the idea-- If you're going to get this, you're going to have to marry one of these people. You see, my point is you lock it in. So Lloyd doesn't get it. Craig doesn't get it. Then I get it, I get it. In other words, you know up front, you got to be married to somebody out here. You need a wife or a husband. It's just that simple. If not, you have no contract, period. Okay?

I mean, I thought we had gotten here already. It looks like I'm going back three years to conversations that Assemblyman Stanley and others of us have had. We thought -- at the inception of this, when we were trying to

figure how to build this program into something more meaningful-- Because at one time, we weren't even talking about the storefront operation. That was something McNeill picked up on, because it became clear to him that we had to be in the community. And from that, we were supposed to build marriages. It seems to me that, someplace out there, the decision makers, whoever they may be, are looking at these bids and contracts, based on RFPs and whatever is established, and they're getting close, and they're making final decisions. That's when -- and, maybe, too many other people favor who really should not have them -- unless they were married to somebody. That's what I'm trying to get at. Do we have anything in place?

MS. DRAKEFORD: Senator, we--

SENATOR RICE: Because the point I'm making -- and Melanie, you can take a note on this -- we need to look at relationships. See, if they want to tell me, "Well, I don't have to work at your company, because you're a woman," then the attitude has to be, "You know what? You're right. And we don't have to give you a contract either. We changed our mind. We ain't building nothing." So you see, my point is, we've got to lock in it. But we have to make sure that the people that's locked in can do the work, and say they can do it and actually perform. Are we there yet?

MS. DRAKEFORD: We are there. We have a program that we're introducing, which is the carve-outs, which we'll be rolling out.

Senator, Lloyd is saying that he's had a little frustration. We've got others-- As we said this morning in a meeting with Councilman Bell (phonetic spelling), Marion Bay faxed over a list of SBEs. And what we've done is, we've worked very hard to make sure they were qualified, that they were certified. And

then, what we then did is work with Donald Moore (phonetic spelling), who is the Managing Director of Design and Construction, in help matching them. So what we are doing is working through a process. Well, I'll admit, it's not easy. We're working through a process to make sure that there are minority and women business firms that are getting their fair share. We're taking it through a process. And when they send their information over to the GCs, we make sure-- It's almost another certificate, if you will, to say that we've made sure that they have all their information, it's where it needs to be, and could you help match them with a general contractor?

SENATOR RICE: Okay. Then I suspect that if you met with Bell this morning, he probably yelled and screamed a little bit?

MS. DRAKEFORD: No, actually--

SENATOR RICE: He was good today?

MS. DRAKEFORD: It was a good meeting.

SENATOR RICE: But my point is, is that, then don't -- then we need to tighten the process up and we need legislation. I'll have to see if we can get it through. I'll have to fight some legislators who don't want anything good to happen to the little people. But the point is, is that the process needs to be in writing to all these contractors. And particularly in this area, because we're just starting to put the shovel in the ground. All of our stuff is not where it should be yet, so there's good opportunities here and elsewhere. There should be a process, whether the unions like it or not, that says that if a person is doing work in Newark, and in that union hall, then they're going to be working.

Recently, we had a neighbor, Assemblyman -- a couple of blocks from me, which is a couple of blocks from you -- he was in the union, 1199. I

said, "Well, you're a painter; are you in the union?" "Yes." "Well, why have you been sitting in the union hall since January?" -- because he did a few schools, did some house building stuff -- why, because he's from -- Peruvian? He owns a house. He pays taxes. We said locals first. Well, it was a sad thing, because the union said, "We got a seniority thing here." Well, you know, waive your seniority stuff when it comes to cities like Newark under these SCC projects. Because we said we're giving a priority. Now someone else is sitting there. The good jobs, the long jobs are going to someone else. I mean, there's little things that, in my gut, tell me that somebody in SCC is aware of these things happening, but nobody wants to take them on. Then we have a meeting like this and we complain about them and somebody puts it down. But, they don't go back-- I never see a thing in writing that says, "You can't do this," or "You have to do it this way," or we never get a memo back saying, "Well, Assemblyman Stanley, we sent this; we're meeting with the union; they're going to waive this stuff, or we're going to force them to waive it." I mean, you got to do something. These meetings aren't for us to be out here seeing and talking and listening. They're out here to hopefully be beneficial, for in this case, SCC -- to take something back. So we got to tweak something. We got to fix something. We got to try.

That's what I'm asking. I don't mind coming to the table with these contractors. They can call me arrogant. They can call me a lot of other things, too. They probably do anyway.

MS. DRAKEFORD: Never that, Senator.

SENATOR RICE: But the point is, is that I don't mind looking them in the eye and saying, "Look, I don't have time for your nonsense. I don't

give a doggone how much money you have, how big you are, how long you've been around. This ain't your traditional stuff. This is school construction. This is Abbott. We're going to participate. So you know what? You tell us how we're going to participate. If you don't want me to tell you, tell us." That's what you all got to do.

MS. DRAKEFORD: And Senator, you're absolutely right. You should also know that we've met with Commissioner Kroll, who's met with Attorney General Peter Harvey. And what they're doing together is putting together a procurement conference, one that they held -- the Attorney General held in April, that was very successful. And that is to break down barriers. That is to work with the labor unions. That is to work with the GCs. That is to work with the PMFs. So it's not just those that do the SBEs, that know how to write the bid, that know how to go after the bid, that know how to participate in the process. We're just creating those relationships even more. We're working through every barrier, every step. It's not perfect, but we are working through the process.

SENATOR RICE: No problem.

Let me do it this way, Assemblyman. And I also want SCC -- I want everybody at SCC to take a note on this, okay? I want you to go back, talk to Spencer, talk to the Governor -- if the Governor wants, he can call me -- tell him I want, prepared for me, a chronological or a summary list of every new initiative that you are starting to work on that has not been implemented. That you're meeting with the unions, and you're asking -- you're not asking, you're telling the folks what they are going to be doing. I want to know, and I want to know where we are in the process with those things, okay? Because I can't

tell you to hire Lloyd Dowdell Company or Kellie's company, but what I can say is that the people around us are going to be looked at for potential. And you're not going to tell me you have 50 people sitting in there -- women, minorities, or whites, or SBEs from the area -- that on something simple, one of them can't do it, in your mind, effectively. Okay? You're just not going to tell me that. And my attitude is: then find, and you get the one that you think that you can train best. My point is, when you come out of there, one of those people should be with you, two of those people should be with you. That's what we're going to have to do. Don't tell me that all the computers are going to be bought from all these "entities," but our guys who have relationships with Compaq and someone else can't come and hear the reps. Do you understand what I'm saying?

MS. DRAKEFORD: Yes.

SENATOR RICE: You got to tell us. I'm hoping that the person that's on point here for Jack Spencer, since there's an X through his name -- I don't know why he put an X; sometime you put a line, but an X is bad -- X through his name. Whoever that person is, take good notes. I'm asking for a list of things. Not things you're doing. I want to see that, too. But things -- all the new initiatives, based on meeting with city councilpersons, based on meeting with people like the Councilwoman from Elizabeth, based on the meetings that the Assemblyman has had with this Committee, over and over, based on different things. I want to see what these things look like.

And I'll go on record to say that -- subsequent, I want to do a Committee meeting with the Assemblyman and with Jack Spencer. I spoke to him, Assemblyman, where he's going to sit up here. And he's going to sit up

here where he can learn. Because the meeting we had with the Disparities Committee, when they said they couldn't get anybody to come, we had over 70-plus people there. And they were basically African-American and women. But every time we tried to talk about disparity, okay, the set-aside, they kept saying, "SCC." So we have some people now -- at least the ones that showed up -- that you can come and listen to, so they can tell you the problems they've been having which go far beyond these problems here -- processwise, which I think is important; inclusionwise, which I think is important. Okay.

ASSEMBLYMAN STANLEY: Thank you, Senator.

Lloyd, I just have a quick question for you. You're currently in a position to offer services to the-- And you were dealing directly with the SCC. Is that correct?

MR. DOWDELL: Yes. And also the Department of Education.

ASSEMBLYMAN STANLEY: Okay. I mean, you currently have a contract with the Department of Education?

MR. DOWDELL: The Department of Education.

ASSEMBLYMAN STANLEY: But you have no contract with the SCC?

MR. DOWDELL: No, sir, I don't.

ASSEMBLYMAN STANLEY: Okay. Mike? Is Mike still here?

Can you work with Mr. Dowdell? Obviously, he wasn't really given a-- I don't even think he was given a fair audience, a fair chance, opportunity. Can you, with President Spencer, give him an opportunity to show what his capabilities are? Because he's done a very good job with the Department of Education. I think he certainly deserves that opportunity.

And I've actually heard from other persons who are probably not -- I know aren't here today -- but, whereas, people have had a very good track record with other State departments, with respect to providing services. And because of, I guess, the particularized way that the Schools Construction Corporation and their, I guess, designees are either contracting with people, or the parameters or perhaps the criteria, as someone said before, that they're setting forth -- even though they've had the capacity, they've had the experience, and they've done things for other departments, they are not given the opportunity to do those same things with these projects.

So I think that we have to take a look at that, and say that if a person has done successful projects with other entities outside of this particular program, that they should be given -- that should, in fact, be some type of measurement of their capacity to do work, or within the Schools Construction Corporation.

But thank you very much.

MR. DOWDELL: Thank you. Thank you very much.

ASSEMBLYMAN STANLEY: I noticed Marjorie Perry came back into the room and wanted to testify. Marjorie, would you like to come down, please? Marjorie Perry from MZM Construction Corporation. Thank you very much. Appreciate your coming.

**MARJORIE PERRY:** Thank you.

I'm Marjorie Perry, MZM Construction Company. I'm located here, right on Martin Luther King Boulevard, exactly two-and-a-half blocks from this location.

We do about \$3.5 million a year. And I am here to talk about two things: The struggle that is still happening for the small business. And also, I just left the Attorney General's office, about two hours ago, on what some of the initiatives will be, and how I'm going to assist them in writing out things that specifically answer some of the problems that some of the smaller companies are having.

The thing that's still a big issue is our bonding capacity. The second part of it is that we still have issues with the large size of the contract. But there are some initiatives that are going to come down the pike now, where there will be some designated funds where we can partner with large CM firms.

One of the things I did say to them was that: you have to specifically write out a strategic plan on what that looks like for the small contractor when it is matched up with the large contractor. If that's not done, we're going to have a very fuzzy process going on, and it won't happen. So they've asked me, in the Attorney General's Office, to write down what that would look like from the contractor's point of view.

The third thing that happens is that, when we're not real clear, as contractors -- and which is why we're running into problems. Because we're not partnering with each other. So we also, ourselves, are trying to get together, where we can share our financial resources so we can go in and not be so at risk by being exposed on a one-on-one entity.

Senator Rice has known me for a long time. There's nothing like being hit here with \$300,000, not being paid 90 days, 120 days. I just finished a project at NJIT, haven't been paid in a hundred days. It's ludicrous to think

that your 10 percent will help you to grow your business. You just don't even have it any more by the time you pay fees on what's outstanding.

So those are the things-- That is-- Still, the sad news is, that we're still too small to really bid at the \$5 million and \$6 million level. But the good news is that they're willing to talk to some contractors to get their point of view from the street -- not from up there, but from here -- that can assist them in how to build this cohesive relationship for contractors.

Thank you.

ASSEMBLYMAN STANLEY: Thank you.

Senator?

SENATOR RICE: Yes.

See, one of the problems you have, particularly minorities-- Minority and women contractors have a problem from the beginning. I don't care what you have. You can have all the bonding and all the money, you start off with a negative because of people's biases: women, blacks, and that kind of characterization. But then, when you go into business and you start performing-- Then someone holds your money up and then you can't pay people, then your job is left uncompleted. But you had a name, everybody knows you. Then you start calling people for work, and they don't want you to work for them, because they're afraid that by the time you get from point *A* to point *B*, you're going to wind up suing them, or you're not going to complete the job.

And so we get bad reputations just because of the whole way the process is. The SCC has to find a way to make sure, as some of the speakers said earlier, that people are performing, number one; get paid; and also make sure they complete the work that they're doing and avoid those lawsuits.

So I just wanted to say that, because I do know contractors, locally, who won't get together themselves. They can't get together, because they all have (indiscernible), and they're scared if they all get together -- they're starting off in negative of (indiscernible). And everybody wants to be successful the next time around.

So I think that's important to note for the record, as well.

ASSEMBLYMAN STANLEY: Excuse me, Ms. Perry. You had mentioned about the issue of the bonding and the bonding capacity. I had-- It was my understanding that this particular hurdle had been addressed. And to hear you raise it-- I just want to know-- Can you kind of-- Do you know what's currently being done with respect to alternative bonding, or helping to alleviate that particular burden and where it falls short? Can you explain that?

MS. PERRY: Sure.

Last year, I had two companies in Newark to go bankrupt on me. That's number one. So here I am-- I go to the surety bonding company the SCC has set up. I had given away my mother to get prequalified to get the bonding that the SCC has set up.

If you're not showing some major assets-- And that's the big issue for the smaller companies. If your only asset is, maybe, your personal home, because you've already leveraged on other projects or other jobs, then what happens is that the surety bonding company for Schools Construction is putting us through-- It's been three months that I've been trying to get approved bonding -- through the surety bonding company that the SCC has given a contract, to make sure that we get bonding -- because of those very issues.

So, right now, I'm in a catch-22. I have excellent references. I've done Global Gateway, I've done Verizon, I've done every major project in the city of Newark. But if I have one bad day-- And I'm telling you, my debt to equity ratio is, like, \$100,000 loss. Now, that's really not huge. But still, they're struggling to give me bonding, because it's, like, sitting there on my financial statements. Not because I walked away from jobs, but a \$100,000 deficit. So I've had to go back to the bank a hundred times; I had to get an attorney; I had to do a lot of things to explain this, this, this, this, this; come back, redo the financial statements; pay an accountant additional money to get that done. And, today, I still don't have bonding.

Now, this is a program that is set up through the Schools Construction. So I don't want to be able to-- I can't go and bid -- and I'm prequalified as a prime at Schools Construction, but you have to be bonded in order to go bid the work. So I take a deep breath, and I build a couple of houses, and I make some money. So anyway, but then I get back to doing my commercial work.

So we're still in a, very much, catch-22. The gentleman that spoke earlier-- If he's leveraged at a million dollars, a bonding company in hell doesn't want to touch him. They won't touch him, because he has too much debt. And that's what bonds are based on, is debt to equity ratio. And the bonding company for the Schools Construction is being, I think, guaranteed by the SBA, if I'm not mistaken.

The SBA, correct?

So we've got to break up that conversation. "Are you really willing to assist us? Then fine, you should be basing it on the merit of the work that

we've done. What have we performed? We know that we do have an asset problem. That's why we came to you, because we can't go the normal way." I don't understand what the challenge is now.

So that's my take on the program that's in place, that people are still struggling. I cannot bid, as a prime, to any school project without bonding, period.

ASSEMBLYMAN STANLEY: And you say that you're still waiting to get bonding through the surety bonding company.

MS. PERRY: Right, and I've been in this process four months.

ASSEMBLYMAN STANLEY: Well, am I glad you came.

MS. PERRY: And I'm not saying it's a bad thing, it's just a bureaucracy thing that's--

ASSEMBLYMAN STANLEY: Sure. And I think this is one of the things that we're talking about, with respect to -- I don't know whether you would call it *good will* or what. But the idea is to create opportunities for people who deserve an opportunity. And I couldn't have put it any better. I don't think anybody could. The reason that we have this surety bonding company set up is to assist people such as Ms. Perry here, who have done business, can do business; through no fault of her own, has had some other things happen that have impacted her statement. And yet the company that we put together to deal with this issue -- which we've been saying has been dealt with -- is not in a position to provide the necessary bonding so that she can go proceed.

And I think we need to address this, as well, Senator. These are the kinds of things -- and I'm very, very glad you came. These are the kinds of things and issues that, perhaps -- and I'm glad you're speaking with the Attorney

General's Office. Perhaps you can get together with the Schools Construction Corporation so that we can -- and probably have to pay a consulting fee -- but, so that we can deal with these kinds of issues, so that these impediments are torn down. "Tear down these walls," to quote a famous president.

But thank you very much. We certainly appreciate you coming.

MS. PERRY: Thank you.

SENATOR RICE: Question to Mike, through the Chair.

ASSEMBLYMAN STANLEY: Sure.

SENATOR RICE: Mike, the bonding-- If I remember, there were several people who wanted to talk about a bonding process. And the SCC was putting together programs, and we were supposed to be addressing this issue of bonding for those who have difficulty -- meaning, in particular, minorities, etc.

But if I remember, wasn't it a bid process to get somebody to come in here to come up with whatever system you have?

MR. RAFAT: For the bonding?

SENATOR RICE: Yes.

MR. RAFAT: I'm sure it was a bid process, yes.

SENATOR RICE: Well, that's one of the problems I have, because we only have one process, and that's the one that came in. And I think the one that came in, even though it was a bid process, was already due to come in through the politics. Ain't no use in me lying about that. But I may be wrong. But I think I'm mostly right. But that's all right.

Maybe we need to be talking to some other people, because at least if we can look at what you have in place-- It's got to be in writing some place, how this thing works, right?

MR. RAFAT: Absolutely.

SENATOR RICE: All right, can I get a copy, and the Chair get a copy?

MR. RAFAT: Yes.

SENATOR RICE: And then we'll talk about how it works. Because we may be able to say, "Okay, I see the problem here." And this company may say, "I can't fix that problem." But some of us who've been around may know some folks who have experience with programs in other states, like New York, that worked to some degree. Which means that they may be able to put together something, that can help some, that the company we have can't help. See what I'm saying? We may have to have -- kind of diversify our little bonding process here.

So if you can get that to me--

MR. RAFAT: Absolutely.

SENATOR RICE: And I'm going to talk to some people that, I believe, told me a few years ago that they had written some programs. When we were doing school construction, they had done something in New York, in terms of bonding and a program that was beneficial to small businesses.

Okay. Thanks.

MR. RAFAT: You're welcome.

ASSEMBLYMAN STANLEY: Okay, we have John Quinones. John, I think you're next. And we'll bring you down.

I just want to see if any of these other people are still here.

Casey Felton? Is she still here? (no response)

And any of the other people that we've called before. I think Howard Ridkes is not here. (no response)

Joe Hernandez? (no response)

Dave Grupp? (no response)

Okay. Thank you very much.

I appreciate you coming.

**JOHN QUINONES:** Good afternoon.

My name is John Quinones. I'm President of Full Action Architectural Metal and Glass. We're glass contractors. And I'm also the Vice President of Essex County Hispanic Chamber of Commerce. Joe is not here, but I think I have the same sentiments as he does.

Basically, we-- I started this company about five years ago, and we're MB, DB, SB. We're certified with DOT, New Jersey Transit, the Port Authority. And, basically, not to sound narcissistic, we know what we're doing. We don't know everything, unfortunately. But what we don't know, we go out there and research. And we have an in-house architect, we have affiliations with architectural companies, and so forth.

Basically, I have good things to say about the NJSCC. That's really helped our company grow to the extent that we have grown. This year, we're looking at doing about \$5 million worth of work. And, basically, out of that \$5 million, about \$2 million is going to be NJSCC work. So, yes, it's great. We've grown quite a bit.

The only problem is, last year we did over a million dollars worth of work with the NJSCC, and getting paid has been very cumbersome. We're being-- We just got paid for a project -- a \$325,000 school job we did. We

finished it back in May, and we just got retainage on that \$325,000. So with that being said, another project -- Washington School in Trenton was a quarter of a million dollars. We're still being owed retainage to this day on that.

SENATOR RICE: All your paperwork is in?

MR. QUINONES: Yes, all my paperwork--

SENATOR RICE: The job has been approved, and signed off, and inspected?

MR. QUINONES: The Washington School -- they're doing final inspections now, after so long. I don't know why.

ASSEMBLYMAN STANLEY: How long has it been since you completed?

MR. QUINONES: We finished our scope at the end of August of last year. So, right now, we're missing--

SENATOR RICE: And they're just getting around to final inspection?

MR. QUINONES: They're doing final inspections. They were on the job site a few weeks ago. They found some clips for some screens missing.

SENATOR RICE: That could have been missing because it sat so long. See, that's the problem for jobs sitting so long.

MR. QUINONES: We claim otherwise, but we're, nevertheless, still getting them replaced, which they're supposed to be over here tomorrow, out from out west-- But, nevertheless, we're still making good for them.

Basically, we've had good experiences with the exception of getting paid in a timely fashion. This year, we're doing -- we're starting, on the 16th, a project in Millville, New Jersey. We're working for M.T. Martin, which -- he's

an MBA contractor in South Jersey. This is a \$430,000 job, hopefully. We have all the materials, and we're ready to go, and we've put out some money for this material. We're billing as we go, because as you well know, everything has to be in storage and documented before you bill. But we have laid out some excess money in addition to what we've billed. So, right now, that's one of our bigger jobs.

We're starting Wayne Hills High School in Wayne, which is partially funded by NJSCC. It's over a million dollar project. Hopefully, again, we will get paid in a timely fashion.

As far as our experiences, they've been great. We've been getting paid, but it's been very slow.

SENATOR RICE: Where's the delay with the payment, through the Chair? Is it at the State, or with the contractor you're working for?

MR. QUINONES: Well, I'll give you-- I'm not going to mention a contractor. Recently, I had-- One of the contractors we did a project for was paid after so long waiting for retainage, which, again -- this project was New Brunswick High School. We waited a long time for retainage. He was paid, and he claimed that there was a problem with his accounting, that distributed the funds improperly, so that now I had to wait for my money. I found this out, and I said, "Whoa, we finished this job last year around April or May. You're going to tell me that just because you had a problem with your accounting, now I have to sit down and wait, when you got paid?" "Well, yes, that's what I'm talking about." I said, "No, I don't want to hear this." So, bottom line, he did pay me that week, after I rebutted him.

ASSEMBLYMAN STANLEY: Can you--

SENATOR RICE: Let me--

ASSEMBLYMAN STANLEY: I'm sorry, go ahead.

SENATOR RICE: I'm going to have to go up to a staff meeting at 6:00. It was supposed be at 6:00.

Mike, make a note; Melanie, make a note. We need to go back and take another look -- as I started to do a year or so ago, and I didn't get through it -- at the prompt payment. But at SCC, in particular, we need to take a look at how people get paid.

And we need to, maybe, have a meeting, Assemblyman, to have SCC and the State go through the process, PowerPoint the process for us -- a job is where you start the job; they submit purchase orders, or they submit requisitions, or whatever their process is. Then what does it take for the system to pay? Then, why is it taking so long to expedite? Because the delay may be at the State sometimes, and it shouldn't be. But then the State may expedite the payment to the general contractor, to the developer right away, and they, in turn, are not paying folks on the other end. And it's that piece-- I want to catch both pieces. I want to catch the contractor. I want to be able to tighten the law up and say, "Hold it. When I pay you, you have, like, 24 hours to pay him, or 48 hours. You follow me? Or you're going to be held liable and be barred from the State."

In some kind of way, there's got to be some real serious penalties, because the last eight years with me working around people in this business-- This is a mean, nasty, dirty, stinking, theft, fraudulent business. That's the only way to put it. On the record, okay? (laughter) It may be legal the way

they do it, but really, that's the way-- I mean, the things they do, the way they hold your money for so long and break you, to me, that's, indirectly, criminal.

So we need a process where we can tighten up and let people know that, if you're getting paid, and you owe someone -- they did their work -- unless you can justify holding their money. And if you can justify holding it, then everybody has a window of time to get that, even, straightened out. This way, everybody will be hustling, trying to get things right. If not, go to court.

So if you could do that, I'd really appreciate it, because we've got to figure that out. And if it's Treasury on the outside, or SCC corporation delaying, then we've got to find out if the problem there -- you lack computers, you lack manpower and woman power, do you lack direction. I mean, you've got 50 people signing off: the Attorney General, the EDA, and everybody. We don't know. We need to know how to get this thing where there's a lot of oversighting -- with good oversighting, integrity kept in the process, but some reasonableness and fairness about what's taking place.

ASSEMBLYMAN STANLEY: Senator, I agree with you. And even if we have to set up a separate payment mechanism for some of the small business enterprises -- the minority business, the women-owned businesses -- those that cannot absorb these kinds of delays, and take that dollar, those moneys, and just hold them somewhere else to allow for a direct payment so that they're not subject to the problems that the general contractor may incur. Because if the general contractor -- if there's a problem with their accounting, with their -- it's going to really destroy a lot of these small business enterprises. And there are some models for doing that, where it doesn't necessarily go through the general contractor. But the general contractor, of course, has to

verify that the work is done. But once the work is done, then there's expedited payments to the small business enterprises, or the minority business enterprises. But we can't-- Certainly, Senator, I concur that we need to work with this.

This retainage that you talk about-- Who dictates moneys that will be retained. Can you just explain that process?

MR. QUINONES: It's, basically, in the contracting bid documents, how retainage will be paid.

I belong to a glass contractors association. They had one of the lawyers come in recently. Example: They say New Jersey law states there's a 5 percent retainage on projects. Now, across the board, there's -- all contractors usually keep, or hold, 10 percent, instead of that 5 percent.

ASSEMBLYMAN STANLEY: Now, how can -- if there's a New Jersey law that says that there's a 5 percent retainage, how can a contractor withhold 10 percent? I think someone else even mentioned that there was a 10 percent--

SENATOR RICE: Because the law doesn't say you can't hold 10, it just says five. You've got to close the backdoor. (laughter)

MR. QUINONES: Right, that's the loophole.

ASSEMBLYMAN STANLEY: The law says there's a minimum of 5 percent, or the law just--

MR. QUINONES: The law states-- New Jersey law, supposedly -- I don't know it verbatim.

UNIDENTIFIED SPEAKER FROM AUDIENCE: It's a minimum of five.

SENATOR RICE: It's a minimum of five.

ASSEMBLYMAN STANLEY: It's a minimum of five.

SENATOR RICE: But it's based on a few factors.

ASSEMBLYMAN STANLEY: What was the purpose of the law?

Senator, were you around when-- No, I'm just kidding. (laughter)

SENATOR RICE: The purpose of the law was to make certain that the punch list, and other kinds of things that may go wrong -- you skip town, we can still resolve the problem. And so that retainage was there. But I think we may have to go revisit retainage, too, to say, "Look, it's locked in at this amount. But it's based on some factors, too, etc." But you can't take-- I mean, you can't tell somebody that they have a 2 percent retainage, then you bang them for eight, which means--

The complaint is, you're working off my money. So if you got-- If the job is going swell, and you have 20, 10 contractors working, or 20 contractors, and you're building, say, 500 units of housing, and everybody is locked into 10 percent, and you're only putting out 2 percent, you're working at 8 percent of each one of those guys. You don't have to lay down money. You don't have to go to the bank anymore. You can keep your money and keep investing.

ASSEMBLYMAN STANLEY: And there's-- And from what I understand, there's supposed to be a certain amount that's in the contract -- in the retainage. Like, for instance, I guess you're contract, or your contract with the contractor--

MR. QUINONES: We're a subcontractor.

ASSEMBLYMAN STANLEY: --would say 5 percent retainage. And then what happens down the line-- Sometimes they take -- they retain more than 5 percent? Is that--

MR. QUINONES: No, usually it states 10 percent. On very few projects that I'm doing-- Right now, we're doing 570 Broad Street here, the 14-story building. We're going to be redoing that. We're working with the owner directly. On my contract, directly with the owner, there states 5 percent. But most of the other contracts state 10 percent, which is across -- usually, typically, across the board.

One other thing I wanted to mention is, recently -- last year, as a matter of fact, I saw Marjorie Perry. I went to this meeting where they had -- they conducted this meeting at Dwyer House in Elizabeth. And I was ecstatic. I said-- You had Bovis there, you had all the big old boys there -- and meeting pertaining-- The meeting pertained to projects that were going to go on in Elizabeth, and so forth, and in this area -- NJSCC projects. And since I bid to these bigger contractors and so forth--

As far as SBE being in place, or actually the 25 percent minimum requirements for MBE companies, or companies that are minority and so forth -- the set-asides -- I really don't think that's working. As a matter of fact, we bid quite a few jobs, and I'm being told by some of the big old boys that they're not having any problem meeting SBE requirements, now, since they've dissolved the MBE last year.

So that's a smoke screen that's being put up. Sure, they probably mean well with it, but it's not happening.

SENATOR RICE: Mr. Chairman, can I make a quick statement and leave?

ASSEMBLYMAN STANLEY: Sure, Senator.

SENATOR RICE: The Legislative Black Caucus, I can speak for. Our opinion in the majority was, that all was -- it was bad. See, to save 15 to 25 percent, SBE-- The reason you started out years ago with minority and women set-aside is because the SBE wasn't working for minority and women. See, you had to set aside a set-aside in order to make that work. So to go from 15 to 10 percent, the State tried to sell us the fact that that's going to -- even though you don't have women and minority set-aside -- that's going to create a few more slots, and they got their 10 percent. So some of -- "You should get some work." We said, "No." If anything, I'd have made it 40 percent until we can win this thing, etc., but not 25. We knew it. You're not the first one that said that, because at the Disparities Committee -- the hearing that the LBC had with the NAACP -- the same thing came up. Because the attitude of these networks, if you will, of contractors, etc., or the mind set of the biased ones -- all of them are not biased, some of them just have relationships they don't want to let go or share -- and the biased ones were like, "Well, Craig, it's nice, but I don't have to give you any work now. See, before, I had to give some money or something. Now I don't have to give you anything. All I have to do is have an SBE." And, you know what, she's always been my SBE, and she's going to still be my SBE.

This is my sweet baby, Melanie. (indicating Committee Aide)  
(laughter)

But that's been the mind-- But we knew that.

And I'm glad you went on record with that. And hopefully, when we have some more-- And I don't know if you've been to the Disparity Committee -- because they're going to do (indiscernible) next--

MR. QUINONES: I have.

SENATOR RICE: We didn't have that information before, because we didn't have to do the SBE. They went out the other side. So people come in heretofore should be on record saying that, "SBE doesn't help us," because the experience will then have shown it. That's what we're working with. But the State also got cute, because it was the GR corporation coming down. And as a result of that, contracts were done first. So there are no other meetings right now for contractors to talk about the SBE relationship. But the procurement people will still have an opportunity to talk about it on the record. Because, right now, they should be participating.

MR. QUINONES: Well, since the decision, there's a lot of new projects that have come out, and we haven't been requested to bid on them. We're getting a lot of work because of our experience. And a lot of these contractors -- the big old boys -- they have their resources. For example, we bid a million-dollar glass job here in Newark at Rutgers. They go around -- instead of using the references we provided, they'll go around to their friends that they've dealt with in the past and ask them about us. And that shouldn't be.

And another thing is carve-outs. That's a good thing, that you guys are implementing carve-outs, because we need carve-outs. Right now, we have \$1.5 million bonding capacity. We're able to do the work. So that would give us a fair shot at whatever projects come up, to bid on them without any other

deviation -- project manager knows this guy, so he's going to get the glass portion of this project. And that's how it usually works sometimes.

Thank you.

ASSEMBLYMAN STANLEY: Thank you very much. We appreciate your testimony.

Allison Frazier, please come forward.

SENATOR RICE: Mr. Chairman, I don't want to leave you by yourself, but I need to make a meeting. I promised. I said--

Melanie is going to stay.

ASSEMBLYMAN STANLEY: Thank you very much, Senator.

**ALLISON FRAZIER:** Hi. Good afternoon, everyone.

I'm coming today to talk about the project management firms, and what they're doing. I was employed by the PMF for Region 1.

ASSEMBLYMAN STANLEY: I think this is our last testifier, Senator. This is our last one.

MS. FRAZIER: And that's the East Orange/Orange part of the city.

And once I got laid off in March, they said they laid me off because they were having budgetary problems, because SCC wasn't paying them, and they're a minority PMF. They were having problems with me, because I was trying to get them to hire more local people, more residents out of East Orange and Orange, that they really didn't feel that they had -- that was their obligation. They were there as a minority, and we're here. We didn't have to hire any more, which I felt they did.

As I've been laid off since March-- In Irvington, and Newark, and all the rest of my surrounding areas, I've called all the rest of the PMFs, and

they've already all brought their teams over, from where their headquarters are, here with them. So now here I am, over eight years worth of experience as an office engineer and office manager, and I can't get any work. So I've started, now, looking in the city of New York to get a job, where I should be able to get a job in my own backyard.

And the PMFs have to understand that they have the same obligations to hire locals as does the GC. If you look at some of these jobs in the Essex County area, not one of the persons manning the job live in New Jersey. The PMF has brought them all from his home base. And you've got somebody -- 10 people sitting on the Orange site, and all of them out of the PMF office are from New York. And that doesn't make any sense. We should all be able-- This is my backyard. I should be able to work in it as well as you, coming into my backyard and getting the money to go back home with it. And I think the PMFs ought to be watched a little bit more on how they're handling their hiring practices, and what they're doing in the city.

Thank you.

ASSEMBLYMAN STANLEY: Well, thank you very much Allison Frazier.

MS. FRAZIER: I have my résumé with me in case anybody wants it. I do have it here.

ASSEMBLYMAN STANLEY: Okay. I think that's very important. I think we should look at the PMFs' hiring practices with respect to local participation, as well as minority and women personnel. We can certainly look at it, and we can voice our opinions, and perhaps we can have an impact on some of those decisions. I think it's something laudable. I think that even if we

do not have a formal program in the State, that does not mean that we cannot implement some type of way to bring persons on so that we have a workforce that's reflective of the areas where these schools are being built, or at least reflective of our state. So I'm certainly glad that you came forward. And that's something that we can, certainly, take a look at -- how -- what the PMFs' employment practices are.

Senator.

SENATOR RICE: Through you, Mr. Chairman.

That you Kellie?

MS. DRAKEFORD: No.

SENATOR RICE: Who oversees that? Do we have data on the PMF? Is that something that we're monitoring, too, to see how well they are doing with New Jersey participation and local participation?

MR. RAFAT: Well, first I just want to know, are you -- were you a direct employee of the PMF, or were you a consultant?

MS. FRAZIER: Direct employee of the PMF.

MR. RAFAT: We do keep an eye on how many minorities and women that work for each PMF, and how many SBEs, firms, of subconsultants to them. However, it's very hard for us to interfere with their employer-employee relationship.

SENATOR RICE: We understand that.

MR. RAFAT: For individuals, it's hard to say why this person is out. But, however--

SENATOR RICE: Excuse me.

MR. RAFAT: Yes.

SENATOR RICE: I didn't mean to cut you off.

Right now, I'm not looking at why one is out, why one isn't. I'm more concerned about who is monitoring to see where these people live that work for them. Then we can determine whether or not we're going to find ways to help you intervene with their employer-employee relationship, or they can spend a lot of money in court. One or the other.

But my point is, I just want to know if someone tracks it, can we identify--

MR. RAFAT: Yes.

SENATOR RICE: In other words, I don't want to see-- I just have this thing. I want to see everybody work. I want to see everybody grow a business. But I have a thing with someone from another state coming here, getting work before the manufacturing industry here, if they can compete, gets it; before the contractor gets it, before the guy on the street gets it. I mean, we're at the State, and everybody is grandstanding, talking about we shouldn't outsource work to India. We don't mind it going to Ohio. At least it's still in the country first. That doesn't mean India shouldn't get it, or England, or someplace else. But yet, right here in New Jersey, the same state that's arguing, saying, "That's all right, as long as you send my buddies in from Pennsylvania and New York." And I'm saying, "Well, we don't have a problem with New Yorkers coming over here. We don't have a problem with Pennsylvania people coming." But the thing is, can we at least share -- can we get a priority, can we get the first look at it?

And that's why I want to know about the monitoring piece of the PFM.

MR. RAFAT: Yes.

SENATOR RICE: We need data. See, this Committee has to work with information and data. We have to know locations -- Ron Rice is located here -- because you may go look, you may go look, but we may decide to stop passed some time, because we can embarrass folks. We can litigate folks. We can make folks do the right thing if it's bad enough. We can make people in New York not even want to come over here anymore. In fact, they can make us not want to come over there. But the point is, we have to have the info.

MR. RAFAT: The answer to your question, Senator, is, the regional office monitors all the PMFs that work for them and report to them. And on a monthly basis, the PMF also submits a monthly report explaining where they are and what the projects are to their regional director. And any staff from the PMF that has interactions with us that they want to change -- they actually have to come to us first and say, "We want to make a change." But support staff, we don't get involved with directly. But if there's a project manager that works for the PMF, and they want to make a change, they just don't change it overnight. They come to us first and say, "We're making a change. We'd like your approval before we bring in a new person."

So the regional office -- the answer is, the regional office monitors these things. And that's something I want to tell to a lot of people that spoke today. Have you reached out to the regional office? Have you reached out to the regional director? Because, sometimes, people seem to go around to a lot of people without reaching to the regional director, who can really give them immediate help and immediate relief.

ASSEMBLYMAN STANLEY: All right. Thank you very much. We appreciate the cooperation of the Schools Construction Corporation and the fact that you had your personnel here to answer questions -- some of them on the spot. And I certainly know that some of the issues that were raised today, we will be moving ahead in trying to address.

Is there anyone else here who desired or wanted to testify?

Sir, why don't you come right on down and just give your name?

Senator, thank you so much for joining us. (Senator Rice leaves)

**JOSEPH DURHAM:** How are you doing?

ASSEMBLYMAN STANLEY: Good, good to see you.

MR. DURHAM: I'm Joe Durham, and I'm with Millennium Information Technology Group. We are a technology company. We do data and voice networking.

The only thing I wanted to say today is that I've been working with the Schools Construction--

Kellie, before you were brought on board, I was working with Dan Curtain (phonetic spelling) and trying to work at ways to get small business--

See, I have no doubt that Lloyd and Marjorie are going to get business, because, usually, that's how this work. I mean, I spent 16 years at AT&T, and I know to grease the squeaky wheel.

But the issue I'm concerned about is, how do we fix this process such that anybody who has the capabilities can participate? And I think that's--

And so, to me, I think that -- and I had this discussion with the Attorney General-- I think that what's missing in this whole process is the fact that nobody envisions this as an economic development project, or an economic

development opportunity for small businesses. Because if you did, then, with that vision, then you would put strategies into a coordinated strategy, not just a piece over here, a piece over here. We get a bonding company, we get a-- So we've got a collection of programs, but are they coordinated, are they integrated?

We just talked about the subject of hiring of PMFs. Well, if I look at the SCC as I look at an AT&T-- AT&T tells their subcontractors, "This is how I want you to perform. If you do not perform this way, you will no longer be a subcontractor for AT&T." So, to me, it's irrelevant to say, "I can't control what the PMFs do."

Now, I may have to go back and redo some contracts and some language that will say that. "This is how I want you to perform." But if you look at it as the PMFs are an extension of the SCC, as I would look at -- if I were at AT&T -- a subcontractor that I brought on, I can tell that subcontractor I want them to help me with my diversity initiatives. If they do not, they will no longer be a subcontractor.

So I think that if we, kind of, stop looking at this as a public program, and look at it more as how you would look at any other corporation that has had to go through the growing pains of diversity and other initiatives, it would work that way. Now, I think it's a good first step that Kellie's now on board, because, before, that office did not have the juice to do anything.

So, now, what we need to do is empower -- to me, empower that office to put this whole thing together in some type of coordinated fashion so that you will be able-- Because, right now-- I was at the Hunt workshop. Hunt is doing the best that they can do. They tell you, "Call the electrical contractor." When you call the electrical contractor-- But see, there's nothing

that says the electrical contractor has to talk to me, because today it's good-faith effort. Good-faith effort, I talk to Joe.

So I've gone through that with Parson Brinkerhoff, I've gone through that with Bovis in Elizabeth. But the issue is that I don't think that, from my perspective -- and this is just from my perspective, so it's essentially the way I feel -- that there is no coordinated effort to really make this work. And so I'm not here today to talk to anyone in Schools Construction about -- "Take my card, and call me, and I'll help you." I'm here, more in general, saying anybody in my position or anyone else's position here is a small business. The process should be set up that, if they're qualified, there should be no maze, and they should be able to get their work.

So, like I said, I think it's a great first step.

Kellie Drakeford referred to the workshop that the Attorney General had. And I spoke to him about that afterwards, and he said, "What did you think?" And I said, in trying to be politically correct, "It's a good first step." Actually, it's a waste of time, because, see-- Again, if I go back to my AT&T experience, when I signed the checks at the end of the day, if the chooser is not in the room that can make the deal, then talking to purchasing people, talking to representatives -- it's all a waste of time.

So, to me, I would advise the Schools Construction Corporation, as I advised the Attorney General. You need to have-- Get your staff together. If you say you're going to do these carve-outs, do the carve-outs. But get your staff together, tell them -- because it has to come from the top. Tell them, "Look, this is what I want to see. When our contracts go out in July, or whenever, I want quarterly workshops, I want to work with the Commerce

Department, and I want to put together--” If I’ve got somebody who needs windows put in, and I want to make that a carve-out initiative, then I want the person who can say, “yes,” in the room, with a minimum of three -- because I think it’s still three, this situation where you’ve got to have three bids -- I want a minimum of three people, SBEs, in the room that can talk to that person to get that deal done. Because it does that SBE no good to sit in a room with a purchasing agent who tells you to call Jane Doe. And you call Jane Doe, and Jane Doe gives -- is polite -- but there’s the polite--

ASSEMBLYMAN STANLEY: And I agree with you, Joe. We’ve known each other for probably longer than either of us want to admit, because we both look very young for our ages. (laughter)

But, no, I agree with you 100 percent. I feel that-- And one of the reasons we have had this here today is, really, not to direct work to individuals, but to deal with the process itself. And perhaps our orientation, the way we’re looking at this, is not so right. When we envisioned this program, sure, we thought it was -- and it is, it’s a school construction program, a massive construction program. But we also said it was an economic development tool that we could utilize to make an impact on these districts from an economic standpoint.

And in order to do that, we need a plan. I think the Attorney General’s Office has got to be involved with that plan, because there are legal issues that we need to deal with. And if we need to make some changes to laws, then we need to do that. And I think it’s-- And I don’t think anyone would consider it inappropriate; or something that is not a positive, and important, and necessary step that we need to take in order to help districts, in order to help

the economics of New Jersey. And there are so many different elements that we make a great case for, in terms of providing economic development in these areas: crime reduction, juvenile issues. I mean, there are so many different things that we positively impact when we do go that road and do it the right way.

And I think we've heard some things that we can begin to address. And I agree, it has to be a comprehensive approach. And we have to figure out a way to actually get the contracts signed on the bottom line, if you will, because a lot of people have expressed what you've expressed. Everybody's polite and sure. And we can have forums and even hearings like this until the cows come home. But the bottom line is, if we do not put a program or a process in place that's going to, ultimately, lead to business for people, and an incentive or a mandate for people to do business with people, then people are just spinning their wheels and wasting their time.

And I certainly appreciate your coming down, Joe.

MR. DURHAM: All right, thanks.

ASSEMBLYMAN STANLEY: All right, thanks so much.

Seeing no other speakers, I want to thank everyone for their participation. We have our work cut out for us.

Oh, there's some food in the room next door. We did go over a little bit, so you may be a little hungry. So you're certainly welcome to join us.

Thank you very much.

The meeting is adjourned.

**(MEETING CONCLUDED)**