
Subcommittee Meeting

of

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

*“Presentation by John F. Spencer,
CEO of the New Jersey Schools Construction Corporation.”*

LOCATION: Committee Room 6
State House Annex
Trenton, New Jersey

DATE: November 22, 2004
11:00 a.m.

MEMBERS OF SUBCOMMITTEE PRESENT:

Senator Martha W. Bark, Co-Chair
Assemblyman Craig A. Stanley, Co-Chair
Senator Ronald L. Rice
Senator Thomas H. Kean Jr.
Assemblyman Joseph Vas
Assemblyman Bill Baroni



ALSO PRESENT:

Melanie M. Shultz
Executive Director

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ASSEMBLYMAN CRAIG A. STANLEY (Co-Chair): I'd like to call the meeting to order. First of all, let me thank all the members of the Committee for coming. This is a Subcommittee meeting of the Joint Committee on the Public Schools. It's the Subcommittee on School Facilities and Construction, co-chaired by myself and Senator Bark. I certainly appreciate all of her help and assistance, and cooperation. Of course, Melanie Shultz, our Executive Director, we certainly appreciate all of her help. And I want to, certainly, give all the members an opportunity to speak.

I want to recognize the Chairman of the Joint Committee on the Public Schools, Senator Ron Rice, is present. Of course, he's a member of all subcommittees; as am I, the Vice Chairman of the Joint Committee. But I don't think there is, probably, more urgent of an issue than we will be dealing with -- this -- for the next several months, than, of course, School Facilities and Construction.

It is certainly good to be at a point where we are right now, which is having done a considerable amount of work with respect to construction in the non-Abbotts, but particularly in the Abbott districts where the Supreme Court mandated that the State take responsibility for construction. A couple of years ago, when we looked at what was going on and the results, we did not see a lot of buildings being initiated or completed in the Abbott districts. And today, I understand that that is not the case, as we have, in fact, made great inroads into beginning and even looking at -- and on the verge of completing some very significant projects in Abbott districts.

So without any further delay on my part, I'd like to, certainly, recognize all the members of the Committee and perhaps ask Co-Chair, Senator

Bark, if she would like a word. And then, of course, our Chairperson of the Joint Committee on the Public Schools, Senator Rice.

Senator Bark, would you like to make some opening statements?

SENATOR MARTHA W. BARK (Co-Chair): Well, I guess my biggest opening statement is, I'm delighted to be here and to certainly have an update in what's occurring and what you anticipate for the future. Those are my biggest concerns, and I'll hope you'll address those as we go down -- or while we're here this morning.

Other than that, I think so far, from what I know, the program seems to be addressing some of the issues, and I'd like to know what issues are not being addressed. Certainly, I think I am one of everybody up here who has heard from the County Vo-tech Schools, but that's a legislative matter and not your matter.

Thank you.

ASSEMBLYMAN STANLEY: Senator Rice, would you like to have an opening word?

SENATOR RICE: Yes. I'll be brief, Mr. Chairman. Thanks very much for calling the meeting -- you and Senator Bark. Thank the members for continuing to make these Subcommittee meetings. It takes a lot of pressure off the full Committee of the Joint Committee.

I just want to indicate to those who are here that we started this initiative years ago in the court battles. People questioned where we were going. But we still have -- exist in New Jersey -- schools that are a 100-plus years old that need to be addressed. And I know the question came up, "Where's the funding, when do we run out of funding, and how are we doing?" Well, my

(indiscernible), looking at some of the facilities and where we are going, the life and safety issues have been addressed very well in most cases. The new construction is finally underway. And I think it is important for New Jerseyans to understand that process -- that you have to assemble land, that you have to go through a lot of process just before you get started. Well, all of New Jersey is on the move now, pretty much so. And so we're going to have to, at the Joint Committee -- I know that the Vice Chair of the Joint Committee also chairs the Education Committee -- we're going to have to identify the type of appropriations that's necessary under the Court mandate to keep this project going. Once you lose momentum then New Jersey is lost, as related to education.

So, Commissioner, what you have to say today, secretary and president, is -- it's going to be very important to the Subcommittee. And I'm going to also ask that Melanie makes certain that, if we're being transcribed, that all the material and minutes from this go directly to every member of the Joint Committee so they'll know the outcome of this particular Subcommittee meeting, which is probably the most important we're going to have, going into the new year.

So, once again, thank you, Assemblyman, for calling this meeting.

ASSEMBLYMAN STANLEY: Okay. Thank you very much, Chairman.

Without any -- seeing no other members who would like to offer opening statements -- the CEO of the Schools Construction Corporation, Jack Spencer. I will, certainly, turn the meeting over to you and your presentation.

JOHN F. SPENCER: Thank you, Chairman, for the opportunity to come before the Joint Committee this morning. I'd also like to thank the Assembly people and the Senators for taking the time to listen to the comments that I'll make this morning.

I'd like to start by introducing some of the key staff that I've asked to come with me today, in case there are questions that I don't have the answers for -- I will punt the questions over. I have, to my left, Gerry Murphy, my Chief Operating Officer; to my right, I have Kelly Drakeford, my Managing Director at my Office of Diversity; and next to her, Barbara Bohi, who is the Manager of Policy. In the back, I have Andrew Yoshi (phonetic spelling), who is the head of my procurement; and I have Donald Moore, who is the head of Design and Construction; plus some other staff.

Again, thank you for inviting me here today, and thank you for your ongoing leadership and support to make the SCC program the success that it is. I've had the pleasure of working personally with many of you individually and have seen your commitment to the communities that you represent. You're working hard to ensure that quality schools, to benefit the children of your district, are designed and constructed. I'd also like to thank Governor Codey, who is also committed to seeing our program's success. We have worked hard at the SCC these past two years to build modern learning environments in the safest and most expeditious way possible.

Today my presentation will focus on two main points: Our progress over the past two years and the critical issue of continued funding. We have made every effort to use our resources wisely. And today we will provide you

with the details of how we've allocated those resources. First, let me summarize some of our results of our efforts.

(begin PowerPoint presentation)

As you know, the SCC was established in October 2002, and recently marked a second anniversary. We spent our second anniversary by doing a number of things to highlight our progress. You may have noticed our tunnel display in the State House that highlighted dozens of projects that are ongoing throughout the entire state. We had statewide mailings to parents and stakeholders to keep everyone in the state apprised of the progress of this program, not only in the Abbott districts, but in the non-Abbott districts. We had ribbon cuttings at numerous schools. We had an introduction of a new Website called Visit My School, where everyone within this state has the ability to go online, click on their district, click on their school, and actually see photographs of the progress that's being made and the actual construction.

But even more important than our outreach efforts is the story that our progress report tells. Schools that were nothing more than colorful renderings on paper two years ago are now standing structures that are educating our children. In 2000, the legislation promising new schools for New Jersey's students was passed. Little progress was made on that State's promise in the ensuing two years. Governor McGreevey took office in 2002 and created the Schools Construction Corporation. Recently, as I said, in October of 2002, we had our second anniversary. And I'm proud to say that the Schools Construction Program is under full steam. Twenty-five hundred school projects have been implemented, to date.

As I said, last month we issued a two-year progress report to the public. We're working on 2,500 school projects impacting 1,700 schools throughout the entire state, all 21 counties. By the end of 2004, we will have opened 50 new schools, 25 of which are in the Abbott districts. Over 350 health and safety projects have been completed within the Abbott districts. We're creating 940 classrooms to house over 14,000 Early Childhood students. In a partnership with local communities, the SCC is supporting six demonstration projects.

As was mentioned by Senator Rice, we're very thankful of the work we were able to accomplish in completing \$660 million worth of health and safety work in 350 schools within the Abbott districts. Virtually all this work was accomplished by September of '03, and some of the remaining work being finished up by December of '03. This was for basic work -- windows, roofs, fire alarm systems, heating systems -- so children would have a proper environment for which to learn.

Here's an Early Childhood center we opened in Gloucester City back in May. This is a two-story school, has 21 classrooms and, by design, can provide space where the district can provide programs before and after school, and during the summer.

As I mentioned before, the SCC is supporting demonstration projects. As you're aware, demonstration projects -- the school facility projects designed to be catalyst for community revitalization. Presently, there are six demonstration projects, worth approximately \$525 million, ongoing throughout the state in Trenton, Camden, Vineland, New Brunswick, Union City, and East

Orange. The projects are entering into final agreements this month -- another example of our vision becoming a reality.

Here's an area rendering, on the left, of the Barnegat High School, and the actual high school from the aerial view again, taken in September. The school opened to freshman in September. It's the first high school ever in Barnegat. Students previously attended the Southern Regional High School in Manahawkin.

A middle school in West New York -- we opened this middle school in September. The new school has 32 classrooms, and an auditorium that can be used by the community as well.

Main Street K to 8 school in Orange -- again, opened up in September of '04. This four-story structure will house 600 students. The project includes an underground parking garage for teachers and staff of the new school -- the first of its kind in the state. The school also has community features that allow public access to the cafeteria, the media centers, and the gymnasiums after hours, for public use. In addition, this school, like other SCC projects, is equipped with emergency power generators that can serve as a shelter for the community in time of need.

The José Martí Middle School in Union City -- again a rendering. We have a school in less than two years. The new school has 27 classrooms to provide educational opportunities for 775 6th to 8th grade students. The project also includes a health screening clinic for the district's 3- and 4-year-olds, as well as the community. It also has a 6,200-square-foot community library that is opened to the Union City residents all day.

A project in Paterson -- P.A.N.T.H.E.R. Academy -- Paterson and NASA Together For Higher Expectations and Results. This unique, state-of-the-art aerospace studies high school is designed for students pursuing a math and science curriculum. This location is directly across from the Passaic County Community College where the students can share both of the facilities. A unique project -- in that NASA reached out to, and was committed, and paid the funds for the planetarium.

Garfield Early Childhood Center -- most recently we held the ceremonial ribbon cutting for the new Early Childhood Center in Garfield: 24 pre-K classrooms, a commons area, a health suite, and a multipurpose cafetorium/gymnasium. The common area is accessible to the Garfield residents as a community meeting room after school and on weekends. Approximately 360 3- and 4-year-old children will be educated here.

The Ignacio Cruz ECC in Perth Amboy -- again we opened up in September. This new facility has 38 pre-K classrooms, a speech room, a health suite, and a multipurpose room. The multipurpose room is accessible to students, as well as residents alike.

Now that I've given you a brief taste to see some of the tremendous progress we made -- the bricks and mortar progress we've made, across the state, on building schools -- I'd like now to share with you the progress we're making, not only on building schools, but building communities and building opportunities for businesses. Progressive schools for kids is one benefit of the program, but building opportunities is another great impact that the SCC is having upon the state. In addition to building schools, the SCC is also working to help build a stronger economy and stronger communities. At the SCC, we are

working to make our program as inclusive as possible so that the entire state can be partners in our progress.

One of our first steps was to create an office focused solely on diversity. We provided it with the elevated leadership it needs and restructured it to better reflect our ongoing commitment to small, women- and minority-owned businesses. SCC has developed a wide variety of programs to assist these businesses in becoming part of the program. By now, I'm sure you're well aware of many of them. We developed an aggressive SBE/Carve-Out program. We created an owner-controlled insurance program. We initiated a statewide marketing and outreach campaign to identify minority- and women-owned businesses. We implemented minority- and women-owned contractor training programs. We created a bonding and working capital program. We created a custom service center for responding to constituents' concerns.

And today, I'd like to talk briefly about a new concept we're introducing tomorrow at an SBE workshop that is being attended by 300 to 400 SBE firms from throughout the entire state. There's 20 major GC contractors. To begin to get these people to marry one another, to make them aware of all the opportunities that exist, we're kicking off a Mentor-Protégé Program where we will set up small business enterprises with larger construction companies, so that in the future, after working on jobs, these small firms have the ability to go out and bid larger and larger projects for the school, as well as for other business lines. While the SCC has made a tremendous amount of progress in this area, we know that there is still much more to do.

I'm particularly proud of our success in building opportunities for small businesses. Following the *GEOD* case, we had to enter into a race- and

gender-neutral program, so we focused our efforts on SBE. I'm proud to say that, looking from July of '03 to June of '04 as just a period of time, we've committed over \$1 billion in construction contracts. Three hundred and fifty million of that is committed to small business enterprises. That's a 33 percent actual, versus a 25 percent goal. Again, this is a good start, and we're headed in the right direction, but we're working to make these numbers even better.

The Bonding and Working Capital Assistance Program is meant to enhance the ability of these firms to compete for school construction work by acquiring surety bonding as well as working capital. Two of the issues that you continually hear from small firms, where they cannot compete, is that they cannot get surety bonding and they cannot get the adequate working capital to proceed with government work. We are there having someone on board that will give them the free access to financial technical assistance so they are -- in fact, can get that bonding and financial assistance. To date, 80 contractors have enrolled, and there are an additional 43 contractors currently seeking entrance into the program.

Our Small Business Carve-Out program -- I talked about it before -- very aggressive. We identified over 120 design and construction contracts, valued at \$240 million, to be set aside and bid solely by small business enterprises. This will be an ongoing program, or a new program to develop each year, as we put together our design and construction program for that particular year.

Now, shifting gears, not only have we focused on small business and minority and women enterprises, but we've also focused on workforce training. It's important not only to get businesses involved, it's also important

to get the workers of the State involved within the program. We've been very proactive in setting up various Construction Trades Training Programs -- acronym CTTTP. These are historic, because it brings together in partnership, for the first time, the building and construction trades, State and local government, faith-based and community-based organizations, and nonprofit and private enterprises, all to the benefit of New Jersey Abbott residents. The program is affecting the lives of families across the state. Those who graduate the CTTTP and win union apprenticeships are gaining careers, not just a job for one particular project. In the future, our program will be reorganized and expanded in an effort to reach out to even more Abbott community residents.

To date, we've run 10 programs. They've graduated almost 500 people, and placed 170 union jobs and 77 in nonunion jobs. One of the most successful programs is in the Newark/Essex County Construction Careers Program for Women and Minorities, sponsored by the SCC, the Department of Labor, the New Jersey Institute for Social Justice. The program includes Harrison, East Orange, Orange, Irvington, and Newark. Funded by the SCC, it helps Abbott-district residents prepare to test with the State's construction trade unions for union apprenticeships. To date, 82 union placements have been made, 15 nonunion placements, and approximately a dozen pending placements.

Another unique undertaking we kicked off in Newark was our Newark Journeymen (*sic*) Workforce Program, a partnership with Newark Councilman Charlie Bell and the Essex County Building Trades Council. Experienced construction personnel residing in the City of Newark who met certain qualifications were eligible for the program. To date, we are testing 28

potential journeymen in the process of demonstrating their skills to a panel. Once they demonstrate their skills, they will move directly into the union, as opposed to entering in an apprenticeship training program.

I'd now like to spend a little time to explain the efforts on how we've done to invest our resources in the most efficient and effective way possible. There's been a number of things. We are working to build schools that are not only long lasting, but economically efficient and environmentally responsible. I'm going to talk about five of those items.

Working with close partnership--

SENATOR RICE: Mr. Chairman?

ASSEMBLYMAN STANLEY: Yes, Senator Rice.

SENATOR RICE: Yes. Before we go on with the expenditures, and through the Chair, I need to raise a couple of questions on the workforce training and the union participation. The concern -- and the Committee needs to know this -- the concern that those of us in the Essex County area, which reflects other areas of the state, has been-- First of all, the GEOD Corporation took out women and minority participation until we can get that straightened out. Now, we can talk black and white, we can talk Republican and Democrat. The reality is that women and minority business, regardless of what ethnic group they come from, are being harmed. They were harmed prior to *GEOD*, and this indication of the State that this school construction really -- proved that we were right about *GEOD*, because so many women and minority professional businesses, at least those that have contacted me and some of my colleagues, all of a sudden are starting to receive less work than they had before, rather than

more. We need to find a legal mechanism to correct that, until we can straighten *GEOD* out.

The intent in New Jersey was to share with New Jersey businesses and with New Jersey residents as much as we can. Some of my colleagues don't like to hear me say there should be preferences given to New Jersey businesses and residents, as well as local participation. We need to elaborate a little bit more on how we're trying to address that, because I'm sure you're getting some of those complaints. And we're not talking about people who can't perform, we're talking about people who can perform, (indiscernible) minority and women.

And the other issue you can address simultaneously, or one after the other, a union of very wonderful people. And often time they try to paint me anti-union, but it doesn't bother me, because my record speaks for itself with the vote. But we did have a meeting with union people. And those of us who represent the Newark City Council and local government made it very clear that we are African-Americans and we're proud of it. No different Irish, Italians, and others. And being pro-labor is one thing, but being pro-people in the city, regardless of who they are, is something else. And we're not going to have the State Government continue to tell us how bad we are doing in Camden and Paterson and Newark and the urban cities for crime, and yet we have brothers and sisters out there on the avenues who have criminal backgrounds, and can't get into these unions to push a wheelbarrow. Some of them could probably paint better than people in the union, but don't get the opportunity. If I ran a record check on my previous experience with nonminority, I can assure you that,

between our cousins and brothers and relationships and where they live, they're probably doing much worse in terms of background, but they had opportunity.

So the programs that are in Essex, our wonderful programs, are those folks who are trying to live the right kind of life and haven't made any mistakes yet. But what's happened to the real problem? How do we reduce the crime? How do we give people an opportunity to feel good about themselves -- and not all of them -- but work some of those into the factor and to the whole process throughout the state? Are we coming up with something that makes sense? We took the leadership in Newark and just met with the unions and told them how we felt. We'll close jobs down if we have to. We don't care, as long as people not let us participate. You can't make all this money throughout the state, building what we need, and say we're not going to be a part of economic growth, too. And that's real. So, I need to be on record with that.

Can you -- may respond?

MR. SPENCER: I'd like to address both of those issues, Senator.

On the Small Business Enterprise program: As I said before, yes, we've done 33 percent, versus 25 percent. But I believe that there needs to be more diversity within the SBE program. And my ability to assure that I can adequately reach out to all race and gender businesses within this state is, I need from the Legislators a minority and women set-aside program. After the State finishes its disparity study and that program is reintroduced, I will have another tool where I can go out to assure that I can get work out, not only to small businesses, but also to minority and women businesses throughout the state.

I would like, now, to commend Senator Rice for the assistance he has given me in working with unions. And up in Essex, we did create something

brand new -- the ability to reach out and to try to get residents from Newark involved directly within union projects and union jobs. That's going to be, due to that leadership, something that we're going to try and work throughout the rest of the state where we are putting in schools in these Abbott districts, where we will bring the same type of program with the construction and trade councils. In those other counties, we will try to begin to introduce the same type of program, not only apprenticeship training programs but, as I said, journey person programs.

SENATOR RICE: Okay. Thank you.

ASSEMBLYMAN STANLEY: On that same vein, do we have a number of how many jobs have been created for the Schools Construction Program, total? Do we have a total number of jobs created?

MR. SPENCER: I have a study ongoing right now to identify the impact of the work that we have ongoing in each of the Abbott districts, based on the construction schedules, what that equates to as the number of jobs. There is a lot of information out there as to the number of jobs created when you have \$6 billion worth of construction. But you must realize that \$6 billion of construction will be over the span of 10 to 12 years. When you break that down, you need and I need to provide all of the districts with an accurate representation of how many jobs that actually equates to on a construction basis. And we're in the process of doing that right now, so we can get the information out to the people who make these decisions.

ASSEMBLYMAN STANLEY: The last thing is, with respect to apprentices on sites, how many -- is there a limit to -- or what's the current ratio,

or does it vary from site to site, how many apprentices you can have to the number of, I guess, journeymen or full-fledged union people?

MR. SPENCER: Any of our construction projects that is valued at over \$5 million requires that the contract be covered by a project labor agreement, a PLA. Within that PLA, there's a stipulation that says that for every four journeymen on the project in a particular trade, there needs to be an apprentice. And 50 percent of those apprentices need to be first-year apprentices. And that's the goal of the training programs, is to provide the residents of those Abbott districts as a pool to fill those first-year apprenticeship programs.

We have workforce monitoring that is done on every project in every county, where we identify-- The staff is actually part of the contract -- is workforce -- and that is maxed against the goals that are established by county for minority and women enterprises or workforce. And if, in fact, a contractor is not meeting a particular goal, we deal with it on a real-time basis.

ASSEMBLYMAN STANLEY: Thank you. Thank you very much. Any other questions -- or maybe you can continue.

MR. SPENCER: All right. I was going to briefly talk about just five of the initiatives we've undertaken to assure that we are providing and building the most cost-effective schools we can. First one, briefly, is working in close partnership with the New Jersey Institute of Technology. We've created one of the most progressive programs, I believe, in the country in that we've developed a set of 21st century school design standards that look at five criteria, or characteristics, that we believe that a school from the 21st century has to be

able to live up to; and criteria within each one of those that, at the end of the day, would give us a cost-effective school for these children to learn in.

We also value engineer every project. When we start a project, we establish a construction budget, and we assure ourselves as that design unfolds that, in fact, when we bid that job and award that job, that that job is bid and awarded for that construction budget.

We are also looking at alternative funding sources. Programs like the Board of Public Utilities' StartSmart program, which helps fund equipment for schools. Also the Federal E-Rate program for technology, that provides discounts up to 70 to 90 percent of the technology costs that we put into our schools, is being looked for.

My Board of Directors also refined the procedures designed to reduce the cost as it pertains to land acquisition, relocation, and site remediation. We've come up with a set of new procedures where the SCC takes a more active role in working with the district and local officials to identify the best possible sites for future schools.

We've also introduced an owner-controlled insurance program, where the SCC provides the general liability insurance for all our contractors and subcontractors, not only saving me millions of dollars, as opposed to paying the premiums based on the individual contractors billing for those premiums, but it also, as I said before, takes away one of the concerns that small, women and minority firms have. They can't get the insurance. I provide the insurance. It's another barrier eliminated from their participating in the program.

SENATOR RICE: Excuse me. Is that liability, or are you talking bonding? You talking bonding or talking liability?

MR. SPENCER: This is general liability insurance, Senator. The Act requires that I have surety bonds on every construction project worth over \$500,000.

I'd like to briefly, now, talk about where we've spent the money. Currently, rounding it off, we spent 2.7 billion of the 8.6 billion. Almost 80 percent of that has been for bricks and mortar within the Abbott districts, the non-Abbott districts, and for land acquisition.

Next slide, please.

On an obligated basis or a committed basis, we've committed 5.7 billion of the 8.6 billion. Again, almost 80 percent is for bricks and mortar, for construction in Abbott, non-Abbott, land acquisition, and in demonstration projects.

The question always comes up -- how large a staff and how are you controlling your administrative costs? Well, to say, we've worked very hard to keep our costs down to a minimum, to outsource wherever we can, be it design firms, project management firms, safety provider firms, relocation firms. The goal here is to man this project or to staff it with the minimum amount of in-house staff, and to outsource to qualified Jersey and local firms to the greatest extent possible for all our needs.

In 2002, we were able to keep our administrative costs and our project management costs to 8.6 percent of our total expenditures. We've maintained, virtually, that same percentage in 2003 and 2004, to date.

The next question always comes up is, your cost per square foot to build a school? How do you compare against other comparable programs throughout the country? This is one of the best benchmarks that I believe exists,

and I've been in the design and construction building industry for almost 35 years now. What is the price per square foot when you compare apples to apples?

What you see under the lefthand side of the chart is our budget target for schools in the northern part of the state. It's \$209 per square foot. This is the price that it is to build a school. It does not include the cost to design the school. It does not include the cost to construction manage it, or the cost to buy the land. But it's the cost that I'm looking to build the school for -- \$209 a square foot in the northern part of the state.

Yes, Senator.

SENATOR KEAN: Mr. Chairman?

ASSEMBLYMAN STANLEY: Yes.

SENATOR KEAN: You said that's your target.

MR. SPENCER: That's my target.

SENATOR KEAN: What is the actual?

MR. SPENCER: Just about virtually the same number. But I wanted to do target, because the two numbers on the right-hand side are targets also.

SENATOR KEAN: Do you have any comparison regarding the actual--

MR. SPENCER: Yes.

SENATOR KEAN: --numbers for those other sites, as well as yours? If you can provide it either now or through the Chairmen and members of the Committee, I would appreciate it.

MR. SPENCER: It would be my pleasure, Senator.

The \$350 per square foot is for a school in New York that was just bid. New York's previous experience on building schools was around \$450 a square foot, about five years ago. They went out, in response to my ability to build schools at \$200 a square foot, and asked for our specifications to see what we were doing, where we could deliver a school in an urban district at \$200 a square foot. Their most recent experience is they've got bids for their first school at 350.

LA has a target of \$241 a square foot to build their schools. As I said, that's a target price. I believe many of the schools that they're actually building come in above that cost. But we can provide the information as to what our actual experiences really is on the new schools that we built, to date.

SENATOR KEAN: And if I may, through the Chairman as well, if you have some other examples besides the New York and LA, what would be some of the other comparable programs?

MR. SPENCER: Boston would be a comparable.

SENATOR KEAN: I'm sorry?

MR. SPENCER: Boston.

I'm trying to be reasonable when you see apples to apples -- dense, urban districts -- and that's why I only used the north. My target in the southern part of the state is less, but I thought it was unfair to compare that to New York. But I would think Boston is another one we could reach out to. Chicago possibly; Philadelphia.

SENATOR KEAN: Through the Chairman, if you wouldn't mind adding those three locations and distribute it to the members, through the Chairman, that would be all right.

MR. SPENCER: We'll see what information we can get on them, Senator.

SENATOR KEAN: Thank you.

SENATOR RICE: Mr. Chairman.

ASSEMBLYMAN STANLEY: Yes.

SENATOR RICE: Yes. Whatever you give, make sure you keep them apples to apples. One thing I found out -- that the Legislature, some of my colleagues, don't understand the difference. But that's just -- people don't either. For example, they compared the Newark Police Department -- what's happened around them -- the closest thing to Newark is Oakland. And when you start to talk about the relative elements -- density versus non-, heating and stuff -- they get confused. So make sure they stay-- I would argue if someone brought me -- came to you after you give us the information and say, "What about Sante Fe, New Mexico?" or something. I would say, nope, you're not going to get it. You want to get it yourself, but try to use it here. I just want to be clear that these are not sod huts, these are bricks and mortars -- weather condition, heavy wear, depending on where you are, and environmental issues with pollution, or what happened to the structure outside versus inside. So just make sure you add more, but give them the real apples to apples, okay?

MR. SPENCER: I appreciate that comment, Senator.

SENATOR RICE: Thank you.

MR. SPENCER: Because, in fact, that is a concern I always have -- that you can't compare renovation projects to new projects, to projects in greenfields, to projects in dense, urban cities. Because where you build a school

and how you build it -- and the location, and the land, and the access -- drive the cost of that project, as well as the labor costs.

SENATOR KEAN: Which is why, through the Chairman, I appreciate the examples you brought up -- the Chicago, Boston, Philadelphia -- as meeting those criterion.

MR. SPENCER: We just hope they build some schools that--

SENATOR KEAN: --as comparable numbers.

MR. SPENCER: Yes.

SENATOR KEAN: So, thank you.

SENATOR BARK: Mr. Chairman?

ASSEMBLYMAN STANLEY: I thank the members.

Senator, yes.

SENATOR BARK: I wonder if we could have a little clarification, also, between the cost of building a school north of Trenton and versus south of Trenton. I believe those costs would be different, would they not?

MR. SPENCER: Yes, they are, Senator.

In fact, when I made the comparison here, Jersey schools to build in the southern part of the state are -- I have a target that is less than the \$209 target, because it reflects the ability to deliver materials unrestricted by dense city streets, the cost of labor is cheaper in the south than it is in the central, and in the central is cheaper than it is in the north. So, in fact, yes, it is cheaper to build schools in the south.

SENATOR BARK: I would like to see that, since I'm probably the closest to -- represent the south more than anybody else here.

MR. SPENCER: It would be my pleasure, Senator.

SENATOR BARK: And I would also -- I believe that the program you're doing in Newark is wonderful. I would hope that you would move that program as quickly as possible to Camden. I do believe that we have a major investment in Camden. I hope that we can make that -- that we can really have a reward out of that. So if this would be of help, that would be wonderful.

MR. SPENCER: Just a comment on that, Senator.

Camden has the second most successful training program we have in this state. And we are also looking to introduce, as I said, the Workforce, the journey person programs throughout the state. And Camden would be an ideal candidate. It's a large Abbott program.

SENATOR BARK: Thank you.

MR. SPENCER: I'd like to talk briefly now about the funding -- what I believe -- some of the factors that were not originally included in the \$8.6 billion allocation in the Act. Originally, the 6 billion for the Abbott districts was based on a construction cost of \$125 a square foot, which included design, construction management, etc. I know the Act was revised and the allocation was raised to \$138. Again, it was to include design and construction management. Currently, I am -- have a target in the north, as an example, at \$209. I believe my average cost throughout the state is 200, \$205 a square foot. That's just for the construction, does not include design and/or construction management.

Another issue, since the passing of the building -- is inflation. If you are familiar with the papers, the Chinese economy is seriously impacting the cost of steel, as well as other raw materials throughout the world. That has put pressure on the \$6 billion, as well as the 2.5 billion for the non-Abbott districts.

Finally, land acquisition and the relocation associated with it, and the site remediation were not included in the original \$6 billion. The cost of land in urban areas, as well as suburban areas, has risen sharply. And it's difficult to secure affordable sites to relocate both commercial and residential owners on. We've had to acquire land for more than 400 owners in 2003 and 2004; 245 of these were residential homes, 47 were commercial properties.

Finally, the original legislation did not take into account preschool facilities, as well as TCUs, which are temporary classroom units, that we're required to put in place, a swing space to begin moving forward on the program.

To end, I'd like to show a final summary breakdown in each of the three areas -- the Abbott area, the non-Abbott or suburban area, and the vocational county tech schools. Six billion originally allocated for Abbott; we've committed 3.5 billion, to date. Two-point-five in the suburban areas; we've committed 1.9 billion, to date. Vocational schools, we had \$100 million; we've virtually committed the entire \$100 million. Totaling 5.7 billion of an \$8.6 billion pot.

I believe the benefits of school construction are clear. We are building better schools for the children of New Jersey, for now and for future generations. We're also building stronger communities, and I believe we're building and providing for a stronger New Jersey economy. The money that was originally allocated has clearly put us on the right path. However, we will not be able to commit to new school projects, both in Abbott and non-Abbott areas, after January of 2006.

I now look forward to your continued support, and look forward to working in partnership with you so that I will be in a position to carry through with the completion of this extremely important program.

(end PowerPoint presentation)

Thank you for your time and your patience this morning.

ASSEMBLYMAN STANLEY: Thank you very much.

Do members have questions?

Yes, Assemblyman.

ASSEMBLYMAN BARONI: Thank you, Mr. Chairman.

I have questions that will cover a variety of different -- of all -- forgive me. But before I do, if I could, Mr. Spencer, I have to tell you, I had the opportunity to visit with two of your staff people. They came to visit with me on the day that ended up being kind of hectic, and both Frank and Barbara came to my office and were outstanding representatives of your organization. They did a terrific job in what was a very time-crunched situation for me -- not for them, for me. And I'm grateful for them. You have a great team that's working around you. I'm grateful for their efforts.

MR. SPENCER: Thank you, Assemblyman.

ASSEMBLYMAN BARONI: I have a couple of questions.

We talk about how we are-- We've obviously got, from committed to allocated, \$2.5 billion for Abbott districts that is yet to be committed. Is that fair? Am I reading the numbers correctly? If I was good at math, I would have gone to med school, but-- (laughter)

MR. SPENCER: You're correct, Assemblyman.

ASSEMBLYMAN BARONI: So assume for the sake of argument that all \$2.5 billion eventually does get committed to take the Abbott number to 6.0 billion, the original allocated amount, okay, which we would-- I believe, if my math is still correct, we have the ability to do.

MR. SPENCER: You have the ability to commit to 2.5 million more for the Abbotts.

ASSEMBLYMAN BARONI: So we have \$2.5 billion still outstanding to be spent in the Abbott districts?

MR. SPENCER: Correct.

ASSEMBLYMAN BARONI: Does that \$2.5 billion take New Jersey to the constitutionally agreed to -- by Governor Whitman, the start of the school construction idea; and I guess the last of the *Abbott*, the most-recent or second-to-the-most-recent *Abbott* case, the Supreme Court agreed to allow the school construction program-- Are we going to meet that mandate with this \$2.5 billion?

MR. SPENCER: No, you will not.

ASSEMBLYMAN BARONI: Where does that answer come from?

MR. SPENCER: When I look at the projects that were identified in the long-range facility plans, that we used as the basis for the legislation back in 2000, I will not have completed a number of them by the time I commit the \$6 billion in January of '06. Where I will be in a position to say what the required dollar value will be to produce all of the State-mandated requirement will be-- In October of '05, every district in the state, not only Abbott, but the non-Abbotts, are required to submit a long-range facility plan looking forward the next five years, to say this is what they need to educate the children that they

have and to take care of overcrowding conditions that exist in their schools. Once those facility plans are directed to the Department of Education and they're approved, I will get a chance, at the end of '05, to evaluate them based on the real cost, or my actual cost, to produce construction in schools, and will be able to answer what the dollar value will be to build those schools.

ASSEMBLYMAN BARONI: I'm a little confused. Because at the time of the *Abbott* decision -- I understand, Mr. Spencer, that you were not the litigator on the *Abbott* decision -- so I understand that. But at the time of the *Abbott* decision, the most recent *Abbott* decision, that upheld the School Construction Act -- so it would have been '97, '98, something like that -- there was a-- I mean, we had a description of what the schools-- We had a number-- That's where the Legislature came up with this. And I understand the concept of inflation. I mean, I understand all that. But at some point, there was a benchmark number, there was a number that has now grown higher because of the increased cost of steel and the increased costs. Here's what I don't understand. Why did we have to wait until October to find out how much is left? We knew five years ago what we had to do. Why do we need a long-range plan? The long-range plan from five years ago is what got the Supreme Court to the decision that it got to. Why do we need a new long-range plan?

MR. SPENCER: Well, the long-range plans are a requirement of the Department of Education--

ASSEMBLYMAN BARONI: Okay.

MR. SPENCER: --and every five years, that every district is required to resubmit it.

ASSEMBLYMAN BARONI: Okay.

MR. SPENCER: I could make a judgment based on the old five-year plan--

ASSEMBLYMAN BARONI: Okay.

MR. SPENCER: --but I would be reluctant to do that in case things may have changed over the course of the five years, and the demand may be greater or less in these districts. So being an engineer, I'd rather wait for the most accurate information possible. We are developing a software program right now, that's going to be online in January, to assist the districts in providing the necessary information. The original long-range plans were put together in a very short period of time. They were not as thorough, or the districts were not given an opportunity to do as good a job as they needed to do. Now we're trying to work with them, the Department of Education, in giving them the training and the tools they will need to give us what they truly need as facilities for these children -- to consider things like health and safety work, land acquisition that's required, plus the actual schools themselves. So I believe it's prudent to wait until the new plans are in before we determine what the ultimate need is.

ASSEMBLYMAN BARONI: The -- and again, through you, Mr. Chairman, if it's all right, if I can continue on this sort of series of questions?

The reason why I pushed it and I asked about the October date-- We're going to have a State budget that we're going to have to produce by July 1, that will cover the time that the funding will run out. Are you telling me that you don't intend to come to the Legislature before July 1 to ask for additional resources for the school construction program?

MR. SPENCER: I will not be in a position to identify the final dollar value needed. My biggest concern is -- the program has great momentum right now. I do not want to be in a position where I lose that momentum. I am still committing to designing schools, and I will continue to commit. And I will be able to continue to commit to designing schools until, as I say, January '06. But ultimately, I need a decision on increased funding by January '06, or I project that I will not be able to commit the construction of a new school after that time.

ASSEMBLYMAN BARONI: So you need a commitment from the Legislature, I'm assuming not necessarily -- I guess there's two options. The Legislature could just do a direct appropriation or, conceivably, go back to the voters again for another bond act.

MR. SPENCER: Well, this is all bonded money -- the EDA bonds, the money for me. It just would be a new bonding limit in the Legislature.

ASSEMBLYMAN BARONI: Right. But here's my fear. I'm sort of counting the-- I'm sort of looking at the calendar. If October of 2005, we're going to have long-range plans-- So at some point after October of 2005, you'll have a number?

MR. SPENCER: I'll be in a position to say, "This is the number I believe is required to do not only the Abbott districts, but also to provide similar -- or the facilities that the non-Abbotts also need.

ASSEMBLYMAN BARONI: X billion dollars.

MR. SPENCER: X billions dollars.

ASSEMBLYMAN BARONI: X billion dollars. So you'll be coming to the Legislature with X -- coming back to us or coming into the

Legislature at some point in late October or November or December of '05 for the X billion dollar request. Are we looking -- and you want the answer by January of '06?

MR. SPENCER: If the answer comes in January, February '06, the program doesn't lose momentum. If additional funds are not forthcoming by that time, I will not be able to commit to construction projects. So I will just then have the construction design, put it on the shelf until the decision makers provide the necessary funds. And when those funds are provided, we will then let the construction contracts happen.

ASSEMBLYMAN BARONI: I would proffer to you, and something that, not necessarily that you would think of, because you're obviously -- you're out building schools, so I understand that. But some cynical people may say that this calendar is being pushed into the lame duck session of the Legislature, after the November 2005 elections. So I would proffer to you that, if there's anything we can do to get a number prior to that, if there's anything that we can do, it would be better to allow the people of New Jersey to know.

I want to change subjects completely with one that-- It's an odd hypothetical. I've been approached by a number of folks, and I must be confused. I don't understand the process. You're an engineer. You're a smart guy. I'm a lawyer. I don't know much. (laughter)

MR. SPENCER: No comment.

ASSEMBLYMAN BARONI: You can just agree on that one.

The school is being built, the school is being constructed, and you've hired a subprime to do the wiring for telephones, high-speed Internet, perhaps cable -- whatever it is -- the technological additions to the school. And

it is my understanding -- and I'm assuming I'm incorrect and the number of people who have told me are incorrect -- but is it possible that the-- Let's say the subprime is going to go in and build the school or is fixing an older school, preexisting school. It's my understanding the subprime is not permitted to talk to the faculty or the staff of the school without first going back through the Schools Construction Corporation. Is that possible? I mean, I've heard it from a number of different folks, that there's some sort of a requirement that a subprime can't discuss with the school staff without going back through your team. Is that possible?

MR. SPENCER: Let me -- very well possible. Let me address that as it relates to the whole design and construction process.

ASSEMBLYMAN BARONI: Okay.

MR. SPENCER: We go out and we hire a general contractor to have sole source responsibility to build a school. I also go out and hire an architect that has the responsibility to design a school. Direction on any contractor or consultant should come from one leader. If a firm takes direction and moves forward with that direction, and that direction is not ultimately approved by the SCC, I come to a question about: I never gave you that direction, should I pay you for that direction? Not to say that input is not required. But the direction to proceed with work or scopes, or changes to scopes or work, clearly has to be through SCC staff, be it a subcontractor or even a subconsultant on a design team. So I could see where you could get feedback that says that they are not allowed -- maybe that's a strong word. They could get input, but the direction to proceed with changes -- and discussions like that

usually result in changes -- needs to come through my staff, so I have a better control on the actual costs of these projects.

ASSEMBLYMAN BARONI: One final question.

And I'll promise I'll be brief, Mr. Chairman.

And forgive me, Mr. Spencer. I know this is probably going to be a question you weren't prepared for, so let's get to it. You made a comment a few minutes ago that you're working on the expenditures "the most efficient and effective way possible." I woke up this morning, and I went to the Exxon in Hamilton, New Jersey, and I picked up the *Asbury Park Press*. And there is an article on the front page of the *Asbury Park Press* that half a million dollars in Schools Construction money was spent on publications. Some of which I have seen and read, which are very informative, that included expenditures to include the likeness, the name, the face, the picture of former Governor McGreevey. I have a couple of questions about it. Was it really half a million dollars?

MR. SPENCER: It's the first time I saw the figure, Senator.

ASSEMBLYMAN BARONI: Well, then, don't get Pete Inverso upset with me, but-- (laughter) So you disagree with the number, that it's not a half a million dollars?

MR. SPENCER: I don't know where the figure came from. My staff has told me, just before I walked in, that there was an article in the *Asbury Park Press* where that figure was quoted. I do believe that it is my obligation, though, to talk to all the residents of the state, all the stakeholders, to inform them of the progress of the program. Because I think the program is going well. There's a lot of misinformation out there. I think that we need to do a better job to provide everyone within this state where the projects are going, not only

within your home district, but statewide. So I believe it's money well spent in that it's something I need to do a better job of, of educating everyone as to how well I believe we're spending their money.

ASSEMBLYMAN BARONI: And I'm with you, certainly, on that. I've seen some of the publications. They have been informative to me and to people in my district, some of the districts -- a number of the districts that received school construction projects. My question is, who asked -- was it a member of your staff-- Was it a member of the former Governor's staff that asked you to put the Governor on all these publications, or did you do that because you like him?

MR. SPENCER: I was the person that, when I first came on board-- Governor McGreevey brought me on board in September of '03. His question to me was, after about two months, what do you see this program needs to do a better job of? And I said, clearly, it needs to do a better job of communicating its successes. At that time, we had delivered \$660 million worth of health and safety (indiscernible) at 350 schools. There was, if any, minimal acknowledgment by any newspaper of that success. Where we had a hiccup, the hiccup was reported, but all of the successes were not. I told the Governor that if -- I, on this program, believe that one of the most important things we need to do is be out there and talk about the successes. Because there will be hiccups, there will be people who are unhappy with the property that I need to acquire for a school. We need to balance that with the successes we're having. So it was my initiation of a program that said we need to spend a piece of this money to communicate our successes to the State.

ASSEMBLYMAN BARONI: And I'm with you on that, and I agree with you on that. Did the presence of Governor McGreevey on those publications assist in that communicate? Did you think that he was a better messenger for it? I'm just trying to figure out why you put him on there?

MR. SPENCER: I put him on there because I believed that his voice goes a lot longer or a lot stronger than the voice of John Spencer in talking about the success of a program, as I would think that Governor Codey's name would go a lot farther in talking about the success of a program, as opposed to John Spencer's. No one knows John Spencer, but they sure know Governor McGreevey and his support for the program, and they'll sure know Acting Governor Codey's support for the program.

ASSEMBLYMAN BARONI: Have you removed--

ASSEMBLYMAN STANLEY: Excuse me, Mr. Baroni. If we could come back to you, if that's okay?

ASSEMBLYMAN BARONI: I'll ask one more question.

ASSEMBLYMAN STANLEY: All right.

ASSEMBLYMAN BARONI: As a matter of fact, I will leave it at this. I'm with you on school construction. I think we need to build-- I teach in Newark, because I've told you before. I've seen and I've toured facilities that are clearly in need of repair. And I understand that you are going to come back and visit with us in the Legislature and ask for additional funding for this program. And that's going to take a whole public policy question. But we, in the end, are going to be coming back to folks in my legislative district and ask them again to spend money on Abbott school construction. And some of us are going to go out and say we need to do that. I have to tell you, Mr. Spencer,

when I get up in the morning and read the paper that we're spending half a million dollars to promote the Governor, it's tough for me to go back to my folks and say all this money is being well spent.

But I am grateful for the time you've given us, the Committee, today. Thank you.

MR. SPENCER: Thank you, Senator -- Assemblyman.

ASSEMBLYMAN STANLEY: I think next we have Mayor Vas and Senator Rice. But if I can -- maybe you can, Mr. Spencer, maybe you can give us some feedback report on that scenario. Because I agree with Assemblyman Baroni in that anytime-- You see, what happens is, people will take a page or a picture of a person and say that the whole project is problematic. For instance, it has a page or the picture or the name of the Governor on it. It has volumes of information that everybody deems good and certainly essential that we communicate. But because it had a picture or the name of the Governor on it, then it's a bad program or it's a program that has some devious kind of scenario to it. But I do believe that we should get to the fact of the matter if it was an informational piece.

All of the publications of the State of New Jersey have the Governor's name and the Governor's picture on it. So I don't think we should isolate that as saying that that's something that's being misused. But of course, if it's a campaign-type issue that we're promoting for no other reason than to promote the Governor, that's a totally different thing. I don't think that was the case with the Schools Construction Corporation's publication. I think perhaps this will misrepresent the \$500,000, on marketing for the Governor. I don't think we should say that.

But I do think you bring up a good point, and it's a point that all of us have to be very much aware of. That people could take that hiccup and make the significance of a tremendous program-- Leaders in the country -- not the Northeast, but we're leaders in the country, and provide an equity and school construction for poor, urban school kids, as well as wealthy school kids.

Up until this act, we had not provided much of anything to *I* and *J* districts. I see Lynn Strickland in the room. We had not provided a dollar for construction in wealthy suburban areas, something that we're doing now under this Schools Construction Program.

So I just want to say, it's very important that we do address issues such as the one that Assemblyman Baroni brought up, and that we continue to protect this good program.

Mayor Vas and then Senator Rice.

ASSEMBLYMAN VAS: Thank you, Mr. Chairman.

I'd like to go back to the question of funding and get a better understanding as to what we're really talking about. First of all, it's my understanding that there was an \$8.6 billion appropriations authorization by the Legislature. Is that correct?

MR. SPENCER: That's correct.

ASSEMBLYMAN VAS: And that was done in about 1998, 2000?

MR. SPENCER: 2000 was -- the legislation passed.

ASSEMBLYMAN VAS: 2000. Okay, 2000.

And what your report reflects now is that there are \$5.7 billion of those \$8.6 billion that have been obligated.

MR. SPENCER: That's correct.

ASSEMBLYMAN VAS: Okay. Now, how much of the \$8.6 billion has been issued, in terms of debt?

MR. SPENCER: Debt is issued as we move forward. I've spent \$2.7 billion. I would venture to guess that I have -- or EDA provides the bonds for me -- that that would be somewhere over \$3 billion, has actually been bonded. Because we put the bonds out, or EDA puts the bond out, based on projections that I provide them every six months.

ASSEMBLYMAN VAS: Right. So the amount that-- The difference between the amount that has been obligated and the amount that's been issued, in terms of debt, is the amount of work that's in the pipeline for now and into the future for the next year, or to 24 months. Most of these projects take, from the time the plans are finalized and all the approvals are granted and land is acquired, at least a year to build, sometimes longer.

MR. SPENCER: To be comfortable, two years.

ASSEMBLYMAN VAS: Okay. So there's about, approximately, \$3 billion that's in the pipeline. But if we're going to continue this very successful program into the future, we need to authorize money so that the remainder of the projects that have been applied for, through all the school districts in the state, through their School Facilities Programs, can be considered for authorization for funding and also put into the pipeline, correct?

MR. SPENCER: That's correct.

ASSEMBLYMAN VAS: Okay. And so, the amount that we don't know right now is what that number is going to be. But there is sufficient money in the program now for the funding for the \$5.7 billion that's been

obligated and, approximately, the \$2 billion for new projects that haven't been considered?

MR. SPENCER: There is 2.5 on the Abbott side that is available for me to commit the construction to, and that should take me, with the schedules I have, up until January '06. That's correct.

ASSEMBLYMAN VAS: For the 5.7 or the 8.6?

MR. SPENCER: That gets me the Abbott finished out; and then on the non-Abbott, I'm in the same position. As I react to grants that are put by district into the Department of Education and approved, and I sign them up for the non-Abbott districts, I will have enough money to keep me to the same time frame until January '06, based on the way we see grants coming to us on a monthly basis.

ASSEMBLYMAN VAS: But the label that's been given to this program by some of the speakers today, definitely by the press and others who don't understand it, is that this is not solely an Abbott school construction program. And in fact, at least two-thirds, or more than two-thirds, of the funding that was authorized by the Legislature is actually going into non-Abbott school districts. Isn't that correct?

MR. SPENCER: That's correct, Assemblyman.

ASSEMBLYMAN VAS: And to suggest that this is solely Abbott is incorrect.

MR. SPENCER: This is completely not just--

ASSEMBLYMAN VAS: And to suggest that what was applied for and approved by the courts -- when the courts mandated that the school construction in Abbott school districts be built by the State for about \$2.5

billion -- that that is a static number going into 2004 is also incorrect. That, in fact, all of the schools of New Jersey -- and in a lot of cases what we've seen is, most of your non-Abbott schools -- also need a significant amount of infusion of dollars just to have school facilities that can meet the challenges of modern day public education.

MR. SPENCER: I believe, Assemblyman, that you're correct that the requirement is throughout the entire state. Right now, I mentioned before, there are 2,500 school projects underway. In fact, 1,600 of those school projects are for non-Abbott districts, 900 are for Abbott districts. Those 1,600 school projects impact 1,100 non-Abbott school district schools. The Abbott schools are 600.

ASSEMBLYMAN VAS: And, in fact, what's been labeled an Abbott or an urban school building program is providing enormous amount of property tax relief to non-Abbott school districts. Because the non-Abbott school districts match a portion of the dollars, but the State is still paying the lion's share, or significant amount, and providing tax relief to those residents in doing so.

MR. SPENCER: That's correct, Assemblyman.

Under the Act--

ASSEMBLYMAN VAS: And so when we look at this program, we should just remove that label, that this is an Abbott school building program; when, in fact, it is a statewide school building program and one that everyone in this state is benefitting from, even the original round of money. Two-thirds of the dollars have gone to non-Abbott school districts, and sometimes, at the expense of the Abbott schools, because the original mandate of the court was

that the Legislature go out there and provide the funding for Abbott school construction. It didn't address the non-Abbott school funding, but rather the Abbott school funding that was necessary for construction. Correct?

MR. SPENCER: Correct.

ASSEMBLYMAN VAS: And so, when we looked at the program, there has been measurable impact on the entire State of New Jersey, not just in terms of the quality of education that it helps to provide, because you have to have adequate school classrooms to do that. Secondly, it's infused enormous amounts of dollars into the economy -- those dollars that get recycled in the economy, that go into the hands of working families of New Jersey, and back into the hands of the State. Because when working families are getting a salary, there's an income tax that comes back to the State of New Jersey. So, in fact, some of these dollars that are being authorized by the State for the purpose of providing quality education are helping to grow the State's economy -- and helping to get us out of this sluggish economy. And one of the reasons why New Jersey is in a better economic position than our neighboring states of Connecticut, and New York, and Pennsylvania is because of the infusion of these dollars. Correct?

MR. SPENCER: That's correct.

ASSEMBLYMAN VAS: Now, the downside -- let's talk about the downside a little bit, because there is a downside. Because we've created our own market, and in fact, we've affected the balance of supply and demand. We put so much money out on the street that there has been an effect in terms of the dollars that it cost us. First, to acquire property. Everybody has -- kind of known what the game is now, so they know that if it's a State-acquired property

and-- We actually went into this program at a time when real estate is at its peak. It's probably the highest it's ever been in our history. And so we're buying into an inflationary real estate market. We're buying property at its highest value. We're also putting a demand on the number of people that can perform this task, the working people that are out there, on labor. In some of these places, we don't have a lot of competition for the contracts, because everybody in the workforce is out there working, in the labor workforce.

So we have to look at this into the future as a program that we can maximize the return on by evaluating what the limit is in that market. What the workforce limit is, what the real estate limit is, so that we can maximize the return. We're looking to maximize the return. And what it looks like now, we're getting -- if we look at, basically, the numbers that have been reported, 80 cents on the dollar is going into the street, in terms of construction, land acquisition, professional services -- correct -- and about 20 percent is really the cost of administration. Would that be fair to say?

MR. SPENCER: Eighty percent was going into bricks and mortar in the Abbott and non-Abbott, and for the land acquisition. If you add in the design fees, it's above 80 percent.

ASSEMBLYMAN VAS: Okay. So it's above 80 percent. And it's -- arguably, you could say that starting up an agency of this magnitude probably costs a little bit more than sustaining an agency of this magnitude after a while. You're going to find your comfort level. It took a while to really get this thing going. This is a huge operation that was created by the government, and it took a while to really get it going. And now, as you said, it has some momentum. It's really hit its stride. And now is when it's critically important for those of us

at this end to understand it and to sustain it, and to make sure that the funding is in place into the next generation. Because we're not talking about building schools for a static period of time. The New Jersey population is growing. The demand for public education is growing throughout this state. And so we have to meet that demand. We have to place the equity into the system in order to make that happen. Is that correct?

MR. SPENCER: That's correct.

ASSEMBLYMAN VAS: Okay.

Thank you.

ASSEMBLYMAN STANLEY: Senator Rice.

SENATOR RICE: Thank you, Mr. Chairman.

Let me go back a little bit, to try to hopefully make certain that members of this Committee, when we get to our various caucus meetings and other committees, try to remain objective on what's happening. I've been here for quite some time. I'm into -- late, to my tenure. And I'm glad that you're getting the message out. I don't have a problem with any one suggestion. And any of us, whether it's in our private lives, our business lives outside, promulgate and promote what it is we are doing and to try keep at a level where the New Jersey residents understand. You know if you talk grassroots to me I understand a lot quicker. But I've also been around long enough to know that there are those out there, regardless of how well we do in New Jersey collectively, that's always going to take what it is we do and make it their activist statement to keep division. They get paid to do that. It works well for them. Some of them have nothing else to do.

And so strong leadership means that we be rational, reasonable, objective and keep proprietary in what we do. It does not mean that we, as legislators, get weak knees, because we represent a district or two that's bitching or moaning about something they don't understand. And I think the more that we as a government educate the general public as to the relationships -- they don't see things narrowly -- the better off we're going to be in those districts. I really don't care when the number comes up. It is my calculations and my conclusion, talking to staff and other people, that at the end of 2005 -- you can call it 2006 -- but the end of 2005, we're going to run out of money. And we're going to have to appropriate a minimum, in my estimation -- your number may be different, may be less, may be more -- of \$2 billion to get us through Fiscal Year 2006, and then we can analyze to see where we're going after that. And that's why I put a bill in for 2 billion that will take the same formula forward, include the Abbott and non-Abbott districts so we can make sure that we're not left hung out there.

As relates to the advertisement piece, take a look at it. But every institution I know in New Jersey, whether it was UMDNJ or someplace else that we fund money to, have slick advertisement pieces. Some of it, I think, can be cut down, some cannot, depending on who you're messaging and who you're marketing. By the same token, I've been here from the days of Tom Kean Sr., to Governor. I was the guy who said he'd never get elected as council person. He was the guy that, at the same time, said he wouldn't be the governor. And Senator Lautenberg was the guy who said he wouldn't beat Millicent Fenwick. So we came in together the same type of years, and I respected him. But everything went out had his name on it. Everything went out on the floor had

his name on it. Everything under Whitman had the name on it, everything. And everything under Don DiFrancesco in the interim had it on it. Now we may pick and choose what the Governor's name goes on, but go back and pull all the numbers -- this is to my colleagues, not you -- to see what the cost was. Was it too much? Too less? How do you promote a state without knowing who your colleagues are? I'd like if the press, once in a while, would give me credit for the things I do.

And Assemblyman Baroni is correct. He said Newark, and he can tell you -- the gals at world corporate America does, Seton Hall does, the City of Newark does. We never get any credit. We'll get a one-liner, because it's Newark. So, if people are going to look at the media and look at their spin, they're spin is to sell paper. They sell personalities. At one time, they used to sell good personalities when you did something wonderful. Now they don't want the wonderful personality. All you have to do is make one mistake or vote the wrong way and that's the personality itself, with character. So you keep on advertising and I'll help fight that battle. Just be objective and reasonable about it, and make sure it's language that all of New Jersey understand. And I think that's the direction you're moving, and that we didn't have an initiative in the program.

I'm tired of making meetings, and you know I make a lot of them. I probably make more Schools Construction meetings -- myself and Assemblyman Craig Stanley and maybe Mayor Vas -- than most legislators down here, because we have a lot of projects on tap and we're getting our brains (indiscernible) out. "When is this one going to start? What happened over here? Why is this city getting theirs already?" They don't understand the

difference between Abbotts and non-Abbotts. They don't understand the difference between the Legislature -- that you can opt to do your own thing, but if you opt as a non-Abbott to come to us, then we're going to participate this way. They don't understand that when you go to plushy, suburban communities in non-Abbott districts, you got some land mass. And so it's easier to start that program right away. They don't understand when you come to some cities, we own the land, and we can manipulate that legislatively legally, but there's some things we have to go into acquisition, and you have to be fair about that. And litigation takes place.

So once they understand the process, they would also understand the cost. The cost process has something to do with timing. And timing has something to do with cost, when things go up. When we started this program, all this steel wasn't going to China. I have a problem with the U.S. letting all the steel go to China. But as big as we are in this country-- But, what can we do about that? Nothing. But to say, well, the cost is going up, so the hell with the court mandate, we're not going to have schools-- No, we're going to have schools. That may be a drawn out battle, has nothing to do with you. Your job is to manage the money. It's our job not to let this thing fall. We can play Republican and Democrats and conservative and moderate with politics, but we're going to have schools. Because these urban districts cannot have 100-year-old-plus schools there anymore -- I don't care what other people said -- like we can't have combined sewer and overflow system that's 100-plus years in our older cities.

And so we have to stay together on this. We don't need to panic. We don't need to worry about who is going to be the governor next year, who

is going to be in the Assembly next year, and all that kind of stuff. We just stay together and do our jobs, and let people make the determination. You do yours. As long as you're doing yours, and I think you are, you got my support. I'll deal with my colleagues when I lose on this side.

As it relates to the number of schools, let's put that in perspective. We are geared up on the long-range plan in New Jersey to build how many schools, statewide? This is a New Jersey Schools Construction Program by the way. It's nothing that says Abbott schools. We have to talk about Abbotts in order for New Jersey to know we're talking about, versus, non-Abbotts, or there's nobody (indiscernible) place. But in the New Jersey Schools Construction Program, long-range facility plan, how many new schools are replacement schools, just so we know?

MR. SPENCER: Right now, we're working on 1,700 schools. That was either health and safety work, major additions, renovations, or new construction. I would have to get back to you to look and tell you, from those long-range plans, how many actual new schools will be statewide. I can tell you we're opening, by the end of this year, 50 schools within the entire state, or major additions by the end of '04. But we'll get back to you as to what the total number is based on the long-range plan, unless someone -- staff has that number? Why don't we get back to you on that, Senator.

SENATOR RICE: Okay. The next question is, out of those schools, to date, how many have we successfully got in the ground, is coming to fruition, or completed?

MR. SPENCER: As I said, there's 50 schools by the end of '04 that will be opened up, used, throughout the entire state, in Abbott and non-Abbott districts.

SENATOR RICE: And out of that, when we run out of dollars at the end of Fiscal 2005, or you can call it January of 2006, what do you perceive out of 1,700-plus would have been completed, funded with those funds again?

MR. SPENCER: The 1,700 are on the way right now. I'll give you an example. Science and Central in Newark, they're a part -- they're two of those 1,700 school projects underway.

SENATOR RICE: My point is -- I'm not cutting you off -- if you went through your list -- and listed the sciences, and the Newarks, and whatever's in Roselle, and whatever is here, and you deducted from the total, what are we talking about in terms of dollars and cents? Are you saying that the dollars in place now cover that number?

MR. SPENCER: The dollars in place now cover the number for the 1,700 schools.

SENATOR RICE: Okay. Then my question is, beyond that, what was the New Jersey mandate? Because it goes beyond 1,700, in my estimation.

MR. SPENCER: And that's the number I need to get back to you -- as to those total number of schools that were in the existing long-range plans. I just don't know that number offhand.

SENATOR RICE: Okay. The reason I'm raising that -- we need the information. Because my colleagues need to forget about our labels and titles and elections, and understand that the court mandate is very clear. If we stop momentum on this program right now -- and I can assure you that most of

New Jersey would not have schools completed -- and that mandate-- If you want to talk Abbott, that mandate was really with an eye on Abbott. Because when the courts started to talk about New Jersey's schools, they pay particular attention to those that they found that were receiving the least, in their minds, as it relates to education and quality educational facilities. Older cities, whether we like it or not-- We didn't make them old. But the reality here of a school 100-plus years old, you got to do something. And the court was paying attention to that, because you won't get parity in education if you don't have the kinds of tools necessary.

But my concern is, I don't want to be in a fight with my colleagues in any House as it relates to-- Okay, fine. If we can't find the money properly, like we did initially -- it was objective and fair about the court mandate -- then we turn our focus on funding Abbott and leaving others out. I don't want to see us headed that way. And that's why the information ought to be very important to us for discussion. The Joint Committee -- which actually the job is to oversight what takes place in Abbott. By the same token, we don't want to be exclusionary in our thinking when it comes down to "political fights," because information is not prepared in timely fashion as to where we are. And by the same token, don't rely on the press, particularly the *Ledgers* and the *Asbury Parks*, those kinds of papers, *Bergen Records*, to be fair in their reporting. You've got to let us know, not just us, Joe Citizen know what's going on.

And I think the presentation this morning was very well, and we're going to do that presentation again in our district. And I want to encourage the members of the Joint Committee to make certain that if you so want it to be, that in your district you hold a meeting, but leave the politics outside and let the

people come in to be objective. And I also want people on the Joint Committee to know that if we're fair -- we understand what you're telling us, Mr. Spencer -- then it's our obligation to go out, regardless of what the community thinks, and (indiscernible) he is correct; he's wrong; he is correct; he's wrong. That's what we have to do. We can't keep agreeing with the other side, because they elect us. Our job is to educate them, too.

So I'm on the record for that. And I just want to thank the Chair once again. I don't think I have any more comments on this, but we do need that information, through the Chair. Well, that should keep me on the chair of the oval office. I have to get back. But through this chair, too, okay?

Thank you again.

ASSEMBLYMAN STANLEY: Thank you, Senator.

I know Senator Bark has a couple of questions that she'd like to raise as well.

Senator.

SENATOR BARK: Really, they're just very quick. Because I think that the funding needs to be -- we need to be very sure about this. I understand, Assemblyman Vas and Senator Rice, that this is for all schools. However, it is not for all schools in the same proportion. Correct? Those non-Abbott district schools that receive money receive up to 40 percent of the project. Wherein the Abbott districts, I thought they received 100 percent. So there is a difference in how the money is split up. And it is about 25 percent of the total that was raised that go to non-Abbott districts. So I understand that all districts have really benefitted by this project, but not in the same way. And I just really

wanted that clarified, unless I'm wrong. Now, you got to tell me where I'm wrong.

MR. SPENCER: No, Senator, you're correct.

The Abbott districts are funded at a 100 percent. The non-Abbott districts are funded at a minimum of 40 percent of their final eligible costs.

SENATOR BARK: Now, I appreciate that, because it has helped my town, and it's a non-Abbott district. So I appreciate the money. But I did think, for clarification purposes, that people ought to understand which is what. I think you've given--

SENATOR RICE: That's what the Senator said. We agree. That's what the Senator said. We agree.

SENATOR BARK: He did?

SENATOR RICE: Yes.

SENATOR BARK: I thought he said that non-Abbott funding was two-thirds. And if I misunderstood that--

SENATOR RICE: No, I raised it, too. I said 40 percent, though.

SENATOR BARK: I apologize.

SENATOR RICE: Yes.

SENATOR BARK: I apologize, certainly, then. I misunderstood what he said.

ASSEMBLYMAN VAS: Senator Bark, my point was that of the total amount that was authorized, \$8.6 billion--

SENATOR BARK: That's right.

ASSEMBLYMAN VAS: Because if I'm not mistaken, the *Abbott V* decision came up with a number of about \$2.5 billion that was needed. And the

Legislature created a pot of money that exceeded that, but said we're also going to include non-Abbott school districts, except we're not going to fund them at 100 percent--

SENATOR BARK: That's right.

ASSEMBLYMAN VAS: --at a minimum of 40 percent.

SENATOR BARK: That's exactly what happened.

ASSEMBLYMAN VAS: That's my point.

SENATOR BARK: That's exactly what happened. Yes, sir.

ASSEMBLYMAN VAS: Right.

SENATOR BARK: I wanted to thank you very much for your presentation. It's been a good one, and I'm looking forward to what happens after October. I do think that my concern is that if you do not receive this information prior to -- looks like November you would receive it -- that's a very short time for action. And I don't think this is political in any way. Just an observation -- sometimes the Legislature just does not want to act rapidly, for whatever reason. It's kind of like -- I was very surprised that Congress didn't take action on some of the initiatives of the 9/11 Commission. I was very surprised, but they were contrary. Because that is not what necessarily was the direction of the administration. So the Legislature and Congress sometimes just -- they want to take their time, rather than being told what they have to do.

But I hope that we will be able to find a solution that will keep this program going. I think it has been very beneficial. And I have to go back to my one thing that I say at every meeting, just so nobody forgets me. And that is, please do not allow empty school buildings to stand. Either use them or get rid of them, because I think they're nothing but very -- can be very disadvantageous

to leave in any neighborhood without a positive usage of them. And I know I've said it before, but I'll probably say it again, because I don't want you to forget. It's a very important issue from my perspective.

And I thank you all for coming, and I appreciate the update.

Thank you.

ASSEMBLYMAN STANLEY: Senator Kean.

SENATOR KEAN: Thank you, Mr. Chairman.

We discussed a lot about the inflationary nature of cost and a variety of other things like that. I just want to get back to some basics. What role does the SCC play in site selection for schools?

MR. SPENCER: Our role is to work with the districts and the elected officials in each one of the Abbott districts to identify the most appropriate sites for schools. Districts are very interested in identifying sites that are closest to the schools' sending areas. There are times where they are not as concerned about the impact on rateables within a particular town. My job and my staff's job is to work with the district people and the elected officials in coming out and identifying the most cost-effective sites to put these school facilities on. So we work, actively, out with the districts and the towns in identifying potential sites for the schools.

SENATOR KEAN: Okay. When the request for funding comes in, you said it essentially comes in on a month-by-month basis, in terms of funding, as it works its way through the DOE process. Does the SCC prioritize school construction funding of projects in any way, shape, or form when it comes in, or do you rely entirely on the Department of Education rank?

MR. SPENCER: I look at first in, first out. So as a project is identified by a district, it is approved by DOE, it comes to me. Be it an Abbott or a non-Abbott, I work on that project.

SENATOR KEAN: You would say this is very similar to what happened, for example, at the Super Fund Program, wherein as soon as it was passed by Congress, states like New Jersey acted very aggressively. And so the first movers really get a strong -- a greater enhanced benefit. If you got your "act together" very quickly with site selection and need selection, you benefit potentially disproportionately.

MR. SPENCER: Senator, you're correct. You were able to move your program quicker there. If we're looking at the 31 Abbott districts now, with the staff that some districts had on board, some districts were more progressive in, they right out of the box knew what their educational requirements were. They were able to progress their programs quicker than others.

SENATOR KEAN: Okay. And then the -- discussing -- going forward with-- We all have the idea of the Fall of 2005, early 2006, thought process in our mind. Have you had discussions with the new administration of Governor Codey at all on how to prioritize? You stated earlier that SCC has only been around for a couple of years, obviously not the entire length of the program. Have you had discussions with the incoming, or now new, administration about different directions of the SCC, or is it moving along as is?

MR. SPENCER: The SCC is moving along as is, and I've been having ongoing discussions with the administration as to the financing and status of the program.

SENATOR KEAN: Okay. But the structural components of the SCC would remain similar. Is that your sense from the conversations?

MR. SPENCER: My understanding is it's going to remain as it is.

SENATOR KEAN: Okay. And then, inclusive of that would be the accountability systems that are in place for selection of construction, individuals, and others.

MR. SPENCER: Yes.

SENATOR KEAN: Okay. And then the final thing I would like to -- again, I've read the blueprint for our schools, and I think we've even gotten a couple of them in my House. And in it you've stated the SCC has lifted the financial burden from the taxpayers. I mean, in the end, this bonding is taxpayer money, as we're paying the bonding. It's just a matter of which pocket it's coming out, whether it's property taxpayers, or through the property tax system, or through income tax or fees, or a variety of other components. Just to clarify that, in the end, it's all tax dollars.

MR. SPENCER: It will all be bonded dollars.

SENATOR KEAN: Okay. Because I--

SENATOR RICE: Mr. Chairman, excuse me one moment.

Let me respond to you, because we do that all the time here in the State. Always tell people in the government everything we do, call it what you want, it's taxpayers' money. And so, I don't know if the Senator-- Because I need clarity, too. I'm asking you to clear that up, or some document, or we need to clear it up in New Jersey through legislation. Maybe we should do billboards, at the State expense, saying, "Anything we vote on in New Jersey -- local, state -- is taxpayers' money." Because we keep playing that game. We

can't say a bonding without someone politically telling us it's taxpayers' money. But we're trying to tell the taxpayers to then, "Look, all of this is your money." But to make sure that there is some relief locally, we'll do it this way. At the State, even though you're paying, you don't feel as much of the pain as long-term spread. Or we do it locally because of this. We need to stop that. I've been listening to that for 18 years, 22 years on the City Council, the same thing. I still hear the stuff.

Would the press here please write that everything we do in New Jersey is always taxpayer money, whether it's a fee, whether it's a stipend, whether it's a paycheck for us -- it is taxpayers' dollars. So that's clear.

SENATOR KEAN: Thank you, Senator.

I was just trying to clarify that, since it was my point exactly.

SENATOR RICE: We don't want you to be governor and have to keep clarifying. I'll get that out of the way now, so you don't have to worry about that in the future. (laughter)

SENATOR KEAN: I've already declared my intentions for '05, thank you very much, sir.

ASSEMBLYMAN STANLEY: Thank you, Senators.

I don't know how you guys conduct it over in the Senate (laughter), but in the Assembly, generally, we go through the Chair, and we try not to interfere with testimony, Senators. But, so that we can try to get through this, maybe we can have the Senator here make his comments and then the Senator there, if you have a comment, to it, make it.

SENATOR KEAN: Thank you, Mr. Chairman.

And continuing, through you, it's always encouraging to engage in dialogue with the original prime sponsor -- and I, as coprime of the QSAC Program, and colleague and long-time friend, Senator Rice -- on these issues. I want to thank you for your-- I mean, I just want to close out. I want to thank you for your professionalism, as I've worked with you not only recently as a member of this Committee, but as well as questions that I've had -- have been tremendously beneficial.

My hometown school, Westfield High School, has received some funding from SCC. We've got the sign that's got the blue-and-white sign -- half of the logo and the other half saying Governor James McGreevey on it, in our town. But it's -- I want to thank you for-- Because when your predecessor came to the town to discuss this staff's update, and came to my home district and I was officiating in a SCC events, Governor McGreevey then used that as a reason to attack the education funding policies of the Bush Administration. But I see nothing but professionalism in your conduct and your staff's conduct, and I'm hoping that there will be a continuation of that professionalism; and look forward to working with you as we figure out -- whether it be in October, November, December, or January of '06, since we as Senators know we will be here -- as we get those numbers correct.

MR. SPENCER: Thank you.

SENATOR KEAN: Thank you, Mr. Chairman.

ASSEMBLYMAN STANLEY: Thank you, Senator.

SENATOR KEAN: And through you, I am finished. (laughter)

ASSEMBLYMAN STANLEY: Thank you, Senator.

Does anyone else have any comments?

SENATOR RICE: Yes, Mr. Chairman.

To my colleague there, that sign would have said Don DiFrancesco in Westfield, but it was a short tenure. (laughter) It may have said Rice if I ran. It's going to say somebody, so it's good you're going to see a name.

SENATOR KEAN: Through the Chair, I'm just waiting for you to declare your intentions, sir.

ASSEMBLYMAN STANLEY: Let me just say it's been really a tremendous experience chairing this Subcommittee meeting.

But the last and final question that we have is interesting enough. It's: What can the SCC improve on and what can and should the Legislature do to improve the program? It's a very interesting question. It certainly is probably more -- something that we're going to have to contemplate, and we're going to have to deliberate on, than something that you can answer right now. As a matter of fact, the next -- you're going to be making a presentation at the Assembly Education Committee meeting, at about 2:00, where there will be a bill up that will actually create a commission to look at the past, what's happening now, and what we need to do going into the future. And the reason we created the Commission is so that we have a more deliberative response to some of the questions that have been raised here today, and just general questions that are out there. And I think we owe it to the people of the state to have a deliberative process in which we give an analysis of what's happening now, and how we can improve upon it.

I certainly appreciate your recommendations that we include different innovative ways of funding the Schools Construction Program in that Commission, in the process of analysis undertaken by that Commission. So I

look forward to that and us coming up with some very good suggestions, moving forward.

We understand that we may need to act sooner rather than later with respect to making sure that we continue our momentum. I guess what's most important is that what we're doing is in the best interest of the State, and the children, and society with respect to school construction. We will certainly do that. We have a little back-and-forth banter among the different elements. But at the end of the day, we will do what we need to do to ensure that we have the facilities and the resources to produce those facilities for the students and for the future of our State.

Let me thank you again, Mr. Spencer, and all of your colleagues and your staff for coming before this Joint Committee Subcommittee. And it certainly won't be the last time.

If you'd like to give us some previews of what we can see to come, with respect to our Commission, in relation to answering those questions, we certainly welcome them now. Otherwise, you certainly have the seat on the Commission, and we'll look forward to your comments there as well.

MR. SPENCER: Thank you, Assemblyman.

I look forward to my participation, and I think we'll come up with a number of good recommendations for the Commission's consideration.

ASSEMBLYMAN STANLEY: Thank you very much.

Thank you all.

Thank all the members of the Committee.

We're adjourned.

(MEETING CONCLUDED)