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# *Public Hearing*

before

## SENATE ECONOMIC GROWTH COMMITTEE

*“The Committee will take testimony on the proposed renovations to the Executive Wing of the State House and the role of the New Jersey Economic Development Authority in financing the costs of the renovations”*

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**LOCATION:** Committee Room 1  
State House Annex  
Trenton, New Jersey

**DATE:** January 12, 2017  
10:30 a.m.

### **MEMBERS OF COMMITTEE PRESENT:**

Senator Raymond J. Lesniak, Chair  
Senator Nilsa Cruz-Perez, Vice Chair  
Senator Jim Whelan  
Senator Joseph M. Kyrillos Jr.  
Senator Steven V. Oroho



### **ALSO PRESENT:**

Patrick Brennan  
Kevin J. Donahue  
*Office of Legislative Services*  
*Committee Aides*

Louis Couture  
*Senate Majority*  
*Committee Aide*

Laurine Purola  
*Senate Republican*  
*Committee Aide*

*This transcript was prepared from an Internet Webcast,  
and therefore may not be completely accurate due to technical limitations.*

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

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**New Jersey State Legislature**  
**SENATE ECONOMIC GROWTH COMMITTEE**  
STATE HOUSE ANNEX  
PO BOX 068  
TRENTON NJ 08625-0068

**PUBLIC HEARING NOTICE**

**The Senate Economic Growth Committee will hold a public hearing on Thursday, January 12, 2017 at 10:30 AM in Committee Room 1, First Floor, State House Annex, Trenton, New Jersey.**

*The public may address comments and questions to Kevin J. Donahue, Patrick Brennan, Committee Aides, or make bill status and scheduling inquiries to Kimberly Johnson, Secretary, at (609)847-3840, fax (609)292-0561, or e-mail: OLSAideSEG@njleg.org. Written and electronic comments, questions and testimony submitted to the committee by the public, as well as recordings and transcripts, if any, of oral testimony, are government records and will be available to the public upon request.*

**The Senate Economic Growth Committee will take testimony on the proposed renovations to the Executive Wing of the State House and the role of the New Jersey Economic Development Authority in financing the costs of the renovations.**

Those individuals presenting written testimony are asked to provide 15 copies to the committee aide at the public hearing.

Issued 1/5/17

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(The Internet recording is joined in progress)

MR. DONAHUE (Committee Aide): Senator Cruz-Perez.

**SENATOR NILSA CRUZ-PEREZ (Vice Chair):** Present.

MR. DONAHUE: Senator Lesniak.

**SENATOR RAYMOND J. LESNIAK (Chair):** Here.

I want to thank everyone for coming -- particularly the Treasurer -- to shed some light on this proposed \$300 million renovation project for the State House.

And I have to say from the get-go, this hearing is required, because Governor Christies announced this without taking any questions from the press, without being available to the press, and without going through the Legislature -- as it's my understanding, Senators, that New Jersey Building Authority projects have to be approved by Concurrent Resolution of the Legislature. And, indeed, that law was put into place so that there would be public input -- public comment, availability of the public to scrutinize the necessity of the project -- which I'm sure there are very many aspects of this that are very necessary. But we have to find out how necessary the entire \$300 million-probably-plus project may be; who knows, oftentimes is. And that's what we're here to determine.

I have three particular questions, and then I'll turn it over to the Treasurer for his testimony.

Most importantly, I believe, is how did the original \$38 million project, for which the architectural firm was selected -- I don't have their name; it's a Philadelphia architectural firm -- turn into a \$300 million project without a new procurement process? How do you do that? That is

what causes the public to be skeptical of government -- of all of us in government. There may have been a public process for this; I don't know. Maybe I'm wrong, but it's my understanding that there was not.

Number two -- and I'm sure the Treasurer will address this, and I raised it before -- how do you raise \$300 million for a State House building project without a Concurrent Resolution from the Legislature, as required by law? And again, number three, as I originally stated, where's the public input to come from when this is already determined to be a *fait accompli* by the Governor?

Mr. Treasurer, thank you very much for coming today. I was pleased to have voted for your confirmation, even though I am a *Keynesian* guy and you're a *Laffer* guy. (laughter) But that doesn't mean we can't meet somewhere, for sure, and have common ground.

So, welcome.

**STATE TREASURER FORD M. SCUDDER:** Mr. Chairman, members of the Committee, thank you for inviting me here today to speak to you about a project that is both necessary and long overdue: the restoration of New Jersey's historic Executive State House.

I've asked Ray Arcario, Executive Director of the New Jersey Building Authority, to join me this morning. Ray will be able to provide us with helpful details on the restoration, as he's been working on the project for the past three years.

Mr. Chairman, as you noted in your invitation to me requesting my appearance before the Committee today, New Jersey's State House is both a State and national treasure. It's the second-oldest statehouse in continuous operation in the United States, dating back to 1792.

But time and neglect have taken their toll on our State House. In fact, the Executive State House, which is an Historic Landmark, hasn't had a comprehensive restoration in more than 60 years. Instead, the building has only undergone piecemeal improvements and, with increasing frequency, emergency work. It's worth noting that the need for a comprehensive restoration was first raised in 1996, more than 20 years ago.

As the Governor said when he announced this project in November--

SENATOR LESNIAK: (off mike) Mr. Treasurer, it is my style -- I use the Socratic method, so I will interrupt you from time to time to ask questions as they come up.

So at that time -- when did you say, 19 -- the first recognition of a need for a comprehensive restoration plan; what was that year?

STATE TREASURER SCUDDER: My understanding is that it was first discussed in 1996.

SENATOR LESNIAK: In 1996.

STATE TREASURER SCUDDER: It was planned in the early 2000s, but never got underway.

SENATOR LESNIAK: Okay. And when it was planned in the early 2000s, are you aware of any cost estimates that were done at that time?

STATE TREASURER SCUDDER: Not to my knowledge, Mr. Chairman; no.

SENATOR LESNIAK: Okay.

STATE TREASURER SCUDDER: So as the Governor said when he announced this project in November, we simply cannot afford to

wait any longer. And this isn't only from a monetary perspective -- which I'll discuss later in my remarks -- but from a safety standpoint as well. There has been an extreme deterioration of both the outside and inside building fabric. There are multiple code violations and life safety issues that have been identified over the past 15 years. Simply put, the entire building systems infrastructure needs to be replaced to meet contemporary code requirements and building performance expectations.

SENATOR LESNIAK: Okay, one more question now.

So where will we and the public be able to see the detailed estimate of all those-- I'm sure that was somewhere in the contract, when the procurement was extended from \$38 million to \$300 million.

STATE TREASURER SCUDDER: The details -- so you're looking--

SENATOR LESNIAK: The details.

STATE TREASURER SCUDDER: --for details of the safety and--

SENATOR LESNIAK: Well, I mean, basically, "\$5 million for this"-- These are how these bids are done, if I'm not mistaken. There must be some kind of a breakdown in terms of what's necessary, and why it's necessary, and the cost.

STATE TREASURER SCUDDER: Right. So the typical process when we do a project is that the Division of Property Management and Construction, within Treasury, will identify their anticipation of the project's scope with their expertise; work though what they think the costs will be. Then via a public procurement process, they'll engage a design

architect, engineer consultant group that will work through and go into detail and put together--

SENATOR LESNIAK: But they did not do that for the \$300 million project, right? They did the procurement project when it was a \$38 million project.

STATE TREASURER SCUDDER: Correct.

SENATOR LESNIAK: Okay.

STATE TREASURER SCUDDER: So the current project is an outgrowth of an envelope project, if you will; the exterior project.

SENATOR LESNIAK: Do you think it's proper to have a 10-fold increase in the cost without having a new procurement process?

STATE TREASURER SCUDDER: Well, I think *10-fold* is not apples-to-apples. Within the \$300 million is approximately \$50 million of contingency for escalation. Taking that same contingency on the first project -- it was, I believe, in the neighborhood of \$50 million (*sic*). So we're looking at a 5- or 6-fold increase.

You know, the procurement for that design firm -- which I'll talk about a little bit in my remarks -- was done completely open to the public by the standard procurement process.

SENATOR LESNIAK: The first procurement?

STATE TREASURER SCUDDER: Yes, correct.

SENATOR LESNIAK: Correct.

STATE TREASURER SCUDDER: So we -- DPMC prequalified 52 firms; advertised publicly; sent the RFP out to all 52 firms; received 15 bids; and then had an evaluation committee that went through



and scored the firms, both based on their submission, and also based on interviews with the firms.

SENATOR LESNIAK: You know, there's no doubt in my mind that the first procurement process was proper. And anyone who wants to check up on that can certainly OPRA that, and I'm sure any requests by a legislator would not have to go through the whole OPRA process.

STATE TREASURER SCUDDER: No, absolutely not.

SENATOR LESNIAK: (Indiscernible).

STATE TREASURER SCUDDER: So in your letter, you asked for an RFP that doesn't really exist.

SENATOR LESNIAK: Right.

STATE TREASURER SCUDDER: You asked for -- that's just not the way that it's done. But we did bring the full file on the past procurement; and I'm happy to share that with members of the Committee, if that would be helpful.

SENATOR LESNIAK: I'm sure they would welcome taking a look at that. Obviously, the most important thing for -- because I was aware of that -- for me is to -- I don't want to keep repeating myself -- but how do you then rely on that firm to boost its contract to \$300 million upon their own advice, without having the other 52 folks compete for it?

STATE TREASURER SCUDDER: Well, so -- I believe I understand your question.

You know, by advertising this publicly, by sending it out to all 52 prequalified firms, I don't believe that there is any firm that would have bid on the initial contract--

SENATOR LESNIAK: All right; that's enough, Mr. Treasurer.  
We disagree on that--

STATE TREASURER SCUDDER: Okay.

SENATOR LESNIAK: --very seriously, because that's pure speculation. And I believe that the proper way -- the way to assure the public that this is an open, fair process would have been to re-bid. But we disagree on that.

STATE TREASURER SCUDDER: Well, and to be clear--

SENATOR LESNIAK: Sure.

STATE TREASURER SCUDDER: --it's not going from a small contract for the design firm, to \$300 million for the design firm. That's the amount for the entire process.

SENATOR LESNIAK: Correct.

STATE TREASURER SCUDDER: All construction has yet to be bid, and will still be bid, based on the designs that are put in place.

SENATOR LESNIAK: Correct. But this is no different from my proposal -- that I would hope that you will support -- for design-build for transportation projects as well, so that we can have as many firms as possible looking at what is necessary, and estimating the cost for that.

STATE TREASURER SCUDDER: I would love to work with you on that, Senator.

SENATOR LESNIAK: Sure; okay.

STATE TREASURER SCUDDER: So, where am I here?

SENATOR LESNIAK: Sorry about that. (laughter)

STATE TREASURER SCUDDER: No, no problem.

So let me just cite a few examples that illustrate the dire need for a full-scale restoration and renovation of the Executive State House.

First, there is no comprehensive coverage of smoke detection or fire suppression in the Executive State House. In addition, we have already had to engage a contractor to provide temporary fire stairs to replace certain unsafe fire escapes and shore up other usable fire escapes. Fire hazards -- such as the enclosed roof that you'll see in this picture here -- are a clear and present safety hazard to the occupants of the State House.

There is also no HVAC system that serves the entire Executive State House. In fact, 35 percent of the building does not have proper heating. The current system fails to meet life safety requirements and is extremely inefficient. As an example, within the Treasurer's Suite, we have one office with a window that's literally covered with plastic wrap that blows in the wind, and we have two adjoining offices that, on any given day, can differ in temperature by at least 15 degrees Fahrenheit.

There is also significant deterioration of the building's fabric. Water infiltration is causing deterioration of the building interior and exterior. The chimneys need to be dismantled until permanent repairs can be made. Window sashes are at risk of falling off the frames and out of the building; and windows are literally held in place with plastic clips to prevent them from falling -- as you can see in this picture here -- both the deterioration and the plastic clips holding them in place.

Cornices and other elements of the exterior must be removed to reduce the risk of catastrophic failure that would endanger occupants and passersby -- shown down there. And the skylights and roof also need

replacing -- shown above there, where you see, kind of, silver tape over the skylights.

SENATOR LESNIAK: And are the life safety and efficiency needs broken out, in terms of their cost?

STATE TREASURER SCUDDER: I don't believe that we explicitly broke them out; they are kind of part and parcel of the project itself. They go hand-in-hand. You know, we started this looking at just doing an exterior renovation to prevent water infiltration into the building. As they went through, it became immediately obvious that this was not just a singular exterior problem, but a holistic problem, in terms of--

SENATOR LESNIAK: Would you be able to estimate the -- or Mr.-- I'm sorry.

**RAYMOND A. ARCARIO:** Arcario.

SENATOR LESNIAK: Arcario -- estimate what percentage of the total estimate of \$300 million is for life safety and efficiency measures? Is it 100 percent; is it 10 percent?

MR. ARCARIO: I think--

SENATOR LESNIAK: This is my lawyer-thing going now, with the witness. But seriously, that's important for us -- for the public to know, and the Legislature to know.

MR. ARCARIO: We haven't examined it in that manner--

SENATOR LESNIAK: But we will; we will. Okay.

MR. ARCARIO: I think as the Treasurer said, it's interconnected to all components of the building.

SENATOR LESNIAK: I understand that some of them are, you know -- can't be done without the rest being done. But we'll take a look at what that percentage is.

Okay.

STATE TREASURER SCUDDER: To that point, there's also the issue of throwing good money after bad -- where there are some improvements that you could make, but then when you have to do a full restoration, eventually, you're going to just undo them all and have wasted money in the process.

SENATOR LESNIAK: I understand that. But we also have to put the priorities in order, of the State, because we do have a tight budget, as you know. (laughter) And the question is whether we should just be doing what's absolutely necessary for life safety and efficiency; and then wait. And yes, maybe we will have to incur extra costs; but maybe not. But right now, until today, we haven't really had that opportunity. And the availability of the file that you will make available -- not only today, but if we want to go look at it -- will help us a lot.

Did you have a question, Senator Oroho?

SENATOR OROHO: Yes, thank you, Chairman.

As we go along through that-- I was working in New York City when there were -- many of the facades of the buildings were having problems because of the water infiltration. As part of that, if there's any kind of-- Because, obviously, we're talking about public safety. There are efficiencies as well as cost that maybe we won't incur in the future; like, for example, lawsuits and whatnot. Is there any kind of estimate for, God forbid, if something would happen? I don't expect you to have that here

today; but obviously that's-- You know, God forbid something like that would happen; it has happened. And when I see some of these pictures, I wonder if it could happen here as well.

SENATOR LESNIAK: You think a lawyer would take a case like that?

SENATOR OROHO: I'm sorry?

SENATOR LESNIAK: Never mind. (laughter)

UNIDENTIFIED MEMBER OF COMMITTEE: (off mike)  
(Indiscernible).

SENATOR LESNIAK: No, no; not me. I retired from the practice of law, remember?

UNIDENTIFIED MEMBER OF COMMITTEE: Oh, that's right.

SENATOR LESNIAK: Okay. It's (indiscernible), but I retired five years ago, actually. (laughter)

All right; a little inside joke.

STATE TREASURER SCUDDER: Senator, it's an incredibly valid point. I don't have specific estimates on what our potential liability is. But we have hundreds of people working in the Executive State House on a daily basis; thousands of people coming in. We have 4th graders coming in from all across the state. And when you look at 100-plus-year-old wood under a terra-cotta roof with electric attached to it--

SENATOR LESNIAK: Treasurer, no one--

STATE TREASURER SCUDDER: --that's a huge fire risk.

SENATOR LESNIAK: --in this Legislature is going to object to the safety requirements under this proposal; I guarantee you that.

SENATOR OROHO: (off mike) Could I -- just one follow-up, real quick

SENATOR LESNIAK: Sure.

SENATOR OROHO: Are we self-insured, or do we have -- are we insured?

SENATOR LESNIAK: Self.

SENATOR OROHO: Self-insured; I thought so.

All right; thank you.

STATE TREASURER SCUDDER: Moving beyond those issues, though -- then numerous improvements that are necessary to bring our 18th century capitol in line with 21st century needs. These include replacing an antiquated electrical system, as well as tele/data systems, to support smoke, fire, and security components.

While on the topic of security, there are certainly serious concerns. I'd prefer not to go into all of them in such a public setting--

SENATOR LESNIAK: I understand.

STATE TREASURER SCUDDER: --but one that the Governor did mention is the need to move security screening outside the walls of the building. Furthermore, new restrooms are required to meet current code, as well as ADA requirements.

You know, this entire list -- known both internally within Treasury, and further developed by the architectural and engineering services firm overseeing the State House restoration and renovation, Nelson/PDP -- literally goes on, and on, and on.

Before I continue, let me first provide -- and we've talked on this a little bit -- but some background on Nelson/PDP and its ongoing work on the State House.

In 2012, the Division of Property Management and Construction, in accordance with New Jersey's competitive public bidding requirements, established a Selection Committee to select an architectural consultant for exterior envelope restoration of the Executive State House. The Request for Proposal -- which, as I mentioned, I'm pleased to provide copies to the Committee -- was advertised in newspapers, posted on the Division's website, and directly mailed to all 52 firms prequalified by DPMC. The Selection Committee developed evaluation criteria specific to the project on which to rate the proposals.

SENATOR LESNIAK: Mr. Treasurer, I will concede that that selection process was open, fair, and competitive. That is not a question, so you can skip over that.

STATE TREASURER SCUDDER: Okay.

I would like to give a little background on the firm--

SENATOR LESNIAK: Sure.

STATE TREASURER SCUDDER: --if that's all right.

Nelson/PDP has nationally recognized credentials, experience, and expertise in the restoration of national historic landmarks, including the United States Supreme Court building, as well as the state capitals of New York, Pennsylvania, and Virginia, to name but a few of their prominent and historic projects. In addition, they're currently working on the project to restore the Alamo.



That envelope work was never completed, because it soon became readily apparent -- following a detailed examination and assessment of the Executive State House by Nelson/PDP -- that the State would be wasting its money on temporary fixes when a comprehensive restoration of the State House is what is actually required. It makes little sense to do patchwork repairs that would cost taxpayers millions upon millions of dollars, when full-scale renovation is needed to address the serious problems that I have mentioned.

So to your question on cost. The projected cost of a comprehensive renovation of the State House, as the Governor mentioned, is \$300 million. This includes approximately \$55 million in project contingency and escalation costs; in addition, \$25 million of the \$300 million will come from current funds available for exterior envelope projects that will now be dedicated to the comprehensive restoration and renovation project.

SENATOR LESNIAK: And those funds come from the NJBA?

STATE TREASURER SCUDDER: From the prior bond issuance.

SENATOR LESNIAK: Right.

STATE TREASURER SCUDDER: Yes.

Treasury is now in the very early stages of working with the EDA to spell out the plan for the project's financing.

So what does this amount include? Complete exterior renovation; complete interior restoration and renovation; a completely new building infrastructure; design services, permitting, and construction management; IT equipment and design; art conservation; restoration of

historic features of the 225-year-old building, including creation of a public exhibition space to showcase historical areas of the building; renovation of 135 West Hanover Street for permanent occupancy by the State Police, and funds needed to recover the cost of temporary swing space during the renovation; as well as upgrades to the Annex, such as building system controls, fire alarms, roofing and infrastructure repairs, IT connectivity to the Executive State House, and upgrades of approximately \$20 million. All of this will be completed in an estimated four to five years from today.

Now, I know that some of you may ask, “Can this project be postponed?” And the answer is “no.”

SENATOR LESNIAK: Certainly not the safety parts of it. I don’t think any one of us would ask that.

STATE TREASURER SCUDDER: Right.

So, but here’s why the entire project, I believe, cannot be postponed. Each year, in addition to cost escalation, the deterioration of the building continues at an accelerated pace.

SENATOR LESNIAK: That would not occur if we did the exterior safety--

STATE TREASURER SCUDDER: It would, actually. Because the water infiltration is not just coming from the exterior. There’s also problems in terms of-- I mentioned 35 percent of the building doesn’t have proper HVAC. That means that there’s not proper temperature and humidity control inside. So the entire building is deteriorated, coming from both the inside and the outside.

So we’re adding, each year, additional costs and the risk of permanently losing valuable historic building fabric. At present, we’re

estimating that the costs are growing by \$8 million to \$10 million per year that we wait; and that is only increasing with each and every passing year.

So delaying the project will also continue to expose occupants, visitors, and the surrounding neighborhood to life safety hazards. Furthermore, any work will continue to be done on an ad hoc basis and cost significantly more in the long run.

Finally, disruptions in the daily operations of the State House, for the people working in it, will be extensive. Meanwhile, as I said, the building will continue to deteriorate; emergency repairs with no longstanding value will become increasingly necessary; and considerable funds will be wasted through the operation of a terribly inefficient building infrastructure.

So it simply doesn't pay to delay the much-needed repairs, restoration, and renovation of our historic Executive State House any longer. The time to finally begin this project, and save our State House from irreversible detrimental deterioration, is now.

So the poster boards we've displayed this morning show but a few examples of this. If it's all right, Mr. Chairman, I'd like to ask Ray Arcario to briefly explain what we're looking at.

SENATOR LESNIAK: I don't think that's necessary. I mean, it speaks for itself. There's no doubt -- and I believe I can speak for the rest of this Committee -- we can see that this deterioration and these safety improvements and renovations are necessary and should not be delayed. No; what we are trying to determine, I believe, is that because of the dire strait of the State budget -- whether there's a no-frills approach, as opposed

to that comprehensive approach that you outlined, which sounds great -- the question is, can we afford the comprehensive approach?

And I do understand the issue of delaying costing additional money. But every single budget item that we're talking about -- the Governor laid out a great plan for recovery from addiction. The same thing could be said about that -- that a delay in \$5 million of additional beds, or treatment facilities, or \$10 million, will cost us 10-fold in not only cost, but safety and public health.

So that will hopefully be for us to determine, as a Legislature, representing the public through a Concurrent Resolution. And we'll have to clear that up, and maybe some-- I don't think your testimony addressed that -- the requirement for a Concurrent Resolution by the Legislature.

STATE TREASURER SCUDDER: Well, the path proposed by the Governor is a bond issuance through the EDA. He views this as part and parcel of the redevelopment of Trenton, for which EDA is spearheading the effort. So, you know, EDA has been a conduit issuer on numerous State office buildings over the past 25 years; and we view this project as completely in keeping with that history.

SENATOR LESNIAK: We'll have to have a legal disagreement on that, just like -- yes, Senators; in one second -- just like I had a legal disagreement with the Port Authority -- not the Port Authority; yes, the Port Authority -- but with the-- No, no, no; the Port Authority's -- the State's Authorities Unit Director Gramiccioni; what's her name? Gramiccioni; she was just made a judge.

UNIDENTIFIED MEMBER OF COMMITTEE: Gramiccioni.  
(indicating pronunciation)

SENATOR LESNIAK: Gramiccioni (indicating pronunciation -- okay -- where the State was just fined-- No, the Port Authority was just fined \$400 million for ignoring legal advice on a complaint that I had to raise because there wasn't authority of the-- The Port Authority did not have authority to use funds for the Pulaski Skyway -- which was very necessary -- but had to have legislative approval. We have legislative approval on these major projects so that the public can come forth and testify; and so that the information that we're starting to find out now comes to light. Involving the public in this process is the reason why we passed the law to have the Building Authority have to go through the Legislature for Concurrent Resolution.

So we have a difference of opinion on that, and we'll see how that turns out, okay? But it's-- I think our position is incredibly important.

Senator Whelan.

SENATOR WHELAN: Yes. I think-- First of all, it bears repeating, we all agree that the safety components need to be addressed; the renovation -- some renovation needs to occur. And in our heart of hearts I think we want to have a first-class job and something we can all be proud of.

Besides the very critical issue you just raised, Mr. Chairman, as far as the Legislature's role -- what's the fiscal impact back to the State? I mean, we're -- 10 bond rating decline; and I think we're 49th in the states in terms of our fiscal health, and so on. We're taking on another \$300 million of debt. What does that do to the State's overall fiscal health and fiscal rating?

STATE TREASURER SCUDDER: Senator, I appreciate the question.

You know, I think any individual bond issuance -- and not to say that \$300 million is not a lot of money, but it doesn't really have much impact on our rating, in and of itself. A much larger, I believe, more detrimental impact would be if there were to be a major safety issue here that would accrue negatively to massive liabilities for the State. And then, in addition, we'd then have to do the renovation.

I think to the Chairman's point on timing -- you know, there reaches a time where we're not going to be able restore the State House, and we're getting dangerously close to that. Such that we'd have to figure out whether we're going to follow historical standards and just mothball the Executive State House; or demolition it, and how you would remove that from the legislative side. And we're getting very close to that, and it's--

SENATOR WHELAN: If I may, Mr. Chairman.

STATE TREASURER SCUDDER: The Governor has said that it's not going to go on any longer.

SENATOR WHELAN: Pardon me for interrupting. You're presenting this as if there are only two options here: that we do everything and spend the entire \$300 million; or we do nothing. I think what is being suggested here by the Chairman and--

SENATOR LESNIAK: (off mike) No-frills approach.

SENATOR WHELAN: Pardon me?

SENATOR LESNIAK: A no-frills approach.

SENATOR WHELAN: Well--

SENATOR LESNIAK: If you will.

SENATOR WHELAN: Call it what you will -- no-frills -- is there a sweet spot between below the \$300 million and above doing nothing that addresses the safety issue; that maintains the integrity of -- the architectural and historical integrity, and so on and so forth. I don't know if that's \$125 million, or \$150 million, or \$75 million. I mean, we started out at \$38 million, and we're at \$300 million.

Again, so the way you're presenting this is, it's all or nothing. And I think one of the questions that I have -- and it sounds like the Chairman has, and maybe some others -- is there a *no-frills* or *sweet spot* -- whatever phrase we want to use -- to say, "Okay, we can do this; we can do what is absolutely essential here for \$10 million. And if we spend another \$25 million, we can put some frills on it -- with (indiscernible) respect, Mr. Chairman -- and we can all live happily ever after." I don't know; I don't know the answer to that.

SENATOR LESNIAK: Senator, you're not the only one to have raised this question. And the rest of us-- But so has the Building Authority. On October 16, 2013: During that meeting, the Executive Director-- Were you the Executive Director at that time?

MR. ARCARIO: (of mike) Yes.

SENATOR LESNIAK: Okay -- "informed the Board that the consultant had been tasked with providing a comprehensive scope, and its order of magnitude, to modernize the entire Executive State House, both the interior and exterior. The consultant was also tasked with providing a plan on prioritizing the scope." A plan on prioritizing. Can we see that plan; has that plan been -- was that plan ultimately done by the consultant?

MR. ARCARIO: It was. And the outgrowth of that is that the priority is to comprehensively restore the entire State House.

SENATOR LESNIAK: Okay; but you'll please provide this Committee with that prioritizing plan, will you not?

MR. ARCARIO: Yes.

SENATOR LESNIAK: Thank you.

Okay.

Senator Cruz-Perez.

SENATOR CRUZ-PEREZ: (off mike) Yes, I had this same line of questions, and he pretty much addressed some of the issues that I wanted to ask.

We went from \$38 million to \$300 million; and I was on the same line of questions: Can we-- I know we definitely need to do some repairs. Can we do the repairs to put them in safety and codes, and not go to the \$300 million? And if we can -- because this is a big change -- if we can, I want to know: If we have to do this project, who is going to be in charge of the project's management; who is going to actually be in charge? Because you know, when we're doing projects, you have change orders. That means -- you sure it's going to be \$300 million, or are you going to come back to us and say, "We need \$100 million more to complete the project?" So I want to know who is going to be in charge of project management.

STATE TREASURER SCUDDER: So we're still working through the precise divvying up of responsibilities between the Division of Property Management and Construction, within Treasury, that will have a major role -- EDA and Building Authority.



At the end of the day, that \$300 million number, we believe and hope, is conservative. You know, we have \$55 million of contingency built in there. We're going to do everything we can to move the project along ahead of schedule and ahead of budget, and that's going to be the priority of everyone who is working on the project.

SENATOR CRUZ-PEREZ: Can -- through the Chair, please -- can we do repairs and not do the entire project? He kind of -- that was his question, but I never heard an answer.

STATE TREASURER SCUDDER: You know, I completely understand the question. And when I got here a little over a year ago and got brought up to speed on the state of the State House, that was my exact question as well. And we've been talking on this for a long time. And the fact of the matter is that just doing repairs is going to be incredibly expensive in and of itself. And it's going to be throwing tons of money away that will have no future benefit.

For just one example: If we have to do just the envelope project -- I don't know if you've walked around the State House, but we've-- Because there's no comprehensive HVAC system, we have thrown air conditioner units anywhere that we possibly can. I think there's something like 60 window units; there's a bunch of units on the roof; a bunch of units on light wells between, kind of, the *H* of the Executive State House; light wells that, by the way, were never meant to bear any weight. So they're falling on themselves as we speak, in addition.

But just to replace the HVAC units -- which we would need to lift them off to do the exterior renovation, then put them back in, in kind, would be a \$16 million job when we have no comprehensive HVAC system.

The duct work is running in no comprehensive fashion; you don't even know, kind of, when you go to an HVAC unit, exactly where it's going. It may be crisscrossing all the way across the building. So as part of the comprehensive restoration, we would be tapping into the 4-pipe Veolia unit and doing a comprehensive HVAC repair. So that's just one example of \$16 million that we're essentially lighting on fire if we do a temporary--

SENATOR LESNIAK: (off mike) May I ask-- Is there an estimate of the extra costs of not having a comprehensive system -- the efficiency in the saving on electric bills for air conditioning? Do we have that part of the--

Senator Oroho actually asked that question. (laughter)

STATE TREASURER SCUDDER: It would be conservatively at least 25 percent savings on energy costs if we were to do a comprehensive repair.

SENATOR LESNIAK: (off mike) What's the cost of that repair--

STATE TREASURER SCUDDER: We can get that, yes.

(Internet feed is lost)

SENATOR OROHO: (off mike) (Indiscernible).

SENATOR KYRILLOS: I'm just going to make a couple of general comments. Steve seems to have some questions.

And I think it's good that we have questions; I'm glad you're having the hearing, Mr. Chairman -- always focusing, like a laser beam, on all the important things. So this is good.

But I have to tell you, I'm for the project; I'm for it. I'm going to trust these guys -- that they have looked at this very carefully over many

years. It doesn't mean there shouldn't be good questions, appropriate questions, like the ones that are happening here today and, maybe, thereafter.

But all of us who have served in the State House for the many years we've served -- we know that it is an embarrassment to walk around one of the great states of America; where the Legislature serves, the Governor serves, key members of the Executive Branch. The place is falling down, and it looks like it looked a half-a-century ago. We don't even see this stuff, right? (indicates boards) That's not in the vision of things.

And you know, you have to mind the store, right? We had a bill last week; it didn't pass. There are key personnel -- they need to get paid, nobody wants to vote for it. Every now and then you have to get it done.

This should have been done 30, 40 years ago. I remember when I was first elected to the Assembly we were in temporary quarters. Senator Lesniak remembers where the Senate used to meet. They did a pretty good reconfiguration of--

SENATOR LESNIAK: (off mike) We met in the cafeteria.

SENATOR KYRILLOS: There you go. (laughter) We met -- the Assembly met down the hall; and the legislative part of the State House was being renovated. And it needed it like this needs it -- like the Executive Branch side.

And I remember, the guy who spearheaded the mission was Senator Littell, Senator Bob Littell of Sussex County. Senator Oroho knows him very well. And it was a big deal then.

But now we have hearing rooms like this; we have a beautiful Senate Chamber, a beautiful Assembly Chamber. The kids come in; they see it, they're inspired. They feel good about their government. And it's safe, and it's efficient, and I'm sure when it was done 30 years ago, it was a hell of a lot cheaper than this. You can tell me what it was; I don't know.

And I know that he pleaded -- because I was just a young kid, Assemblyman, coming in, but listening to him -- he pleaded with the Executive Branch at the time -- Governor Kean -- to do the same thing. They didn't want to do it. Governor Byrne didn't want to do it. Those are the guys who should have done it. And it was easy to say, "Yes, we'll do it someday." Well, my whole career went by and it never got done.

And so I understand why we're having this hearing, and we should. Maybe we'll have another one; I don't know. Everybody should understand it. And you guys should be very explicit and persuasive -- and you're doing fine -- but you shouldn't assume that everybody all across New Jersey, millions of people, should just intuitively get it. Most people have never been here. So it's not only your job to get the project going, as you're doing; but it's also your job to explain it, and make the case, and persuade people. And it's worth the explanation.

So keep it up. And if I find something out that I don't like, I'll be critical. But in the main, Mr. Chairman, I just want to go on record as saying that I'm hopeful that 5 years from now, 10 years from now -- I don't know how long it's going to take. How long is it going to take?

MR. ARCARIO: (off mike) Five years.

STATE TREASURER SCUDDER: Four to five years from now, we believe.

SENATOR KYRILLOS: Because we want Governor Lesniak to have a decent office. (laughter) I mean, don't screw it up; I mean, you know, make it--

But I hope to come back and be proud. I want Ray to invite me in; give me a Diet Coke; you know, talk about the issues of the day. Senator Whelan and I--

SENATOR LESNIAK: I would prefer to share a glass of good Bordeaux with you, but--

SENATOR KYRILLOS: Actually, I would agree with that. (laughter)

So let's keep talking. And I mean it; I applaud the Chairman for putting a spotlight on this. It should not happen without any question, without any comment. It's too big a deal. But in my judgement, it needs to get done.

SENATOR LESNIAK: Thank you, Senator Kyrillos.

Senator Oroho, you had a question or a statement?

SENATOR OROHO: Yes, just real quick.

I also have the same comments as my good friend, Senator Kyrillos.

Sitting up in our caucus room, when we saw half the wall fall down on the inside-- Obviously, there are the water infiltration issues and the safety issues.

At the same time, I do agree that *need to have* doesn't become -- or *nice to have* doesn't become *must have*; types of -- the looking at the costs are always very critical.

The issue of the efficiencies -- I would love to see that, because we are losing money every single year that we don't do it, as Senator Kyrillos so eloquently put; that if we had done it back when it really should have been done, we probably would have been saving a significant amount of money. And the efficiency aspect, I think, as Senator Lesniak brought up, is critical for people to understand.

The other thing is -- as we've all said, the safety issues have to be addressed; there is no doubt about it. And borrowing for capital programs we could certainly understand, as people do with their mortgages, and whatnot. However, I wonder if there is also another creative way of looking at certain of these things, as we're all very concerned about debt. The First Lady was extremely successful in a renovation project for another great State house, Drumthwacket, with some private capital. And I know this is a major, major undertaking here. But I'd like to think that maybe we can take a look at some sort-- Our great institutions, you know -- private and public -- do a great job in capital campaigns.

SENATOR LESNIAK: Naming rights: The Capital One State House. (laughter)

SENATOR OROHO: You just got it. No, not that kind of naming rights.

SENATOR LESNIAK: No. I know you're not-- (laughter)

SENATOR OROHO: But the idea of-- And we just passed significant legislation with respect to eliminating the estate tax. So people -- this is the people's house; so there may be some people who want -- from a long-term capital campaign program, so that we don't have to rely on so much of the debt; that maybe-- Obviously, we have to get the project going.

But I would also like to think that we look at that, because the First Lady, Mary Pat Christie, did a great job of collecting private capital to fix up another significant building.

So I would just like to put that on the record. Maybe we could even look at giving a tax deduction for allowing that to happen, and getting charitable contributions. But that would be for another day.

SENATOR LESNIAK: Okay. (laughter)

SENATOR OROHO: Thank you.

SENATOR LESNIAK: Thank you, Senator Oroho.

And Senator, I couldn't help but observe, with Senator Kyrillos' retirement--

SENATOR OROHO: Yes.

SENATOR LESNIAK: --Senator Whelan's retirement, and my retirement from the Senate -- not from politics, not from public office -- we will be losing three members of this Committee. And I just-- We should have a party together. (laughter) And I want to thank you two members particularly -- a Democrat and a Republican -- who have consistently given balance and nonpartisan consideration of all legislation that we've done. I want to thank, and cheer, both of you on.

SENATOR OROHO: I second that.

SENATOR LESNIAK: And you're not finished yet, because you still have until January of next year to serve. And I know you will, and do it well.

So Mr. Arcario -- so what happened? And by the way, great minds think alike. I hate to say "I told you so;" but no, I don't. So just as I was right when the -- unfortunately-- But I was right when I asked for

legislative approval for the Pulaski Skyway improvements, which the Governor's Council ignored, costing the State \$400 million. Also, on November 24, 2015, at the Building Association's meeting, Mr. Arcario asked the Assistant Attorney General at that meeting to explain the required protocols to advance to a larger comprehensive restoration renovation project. These steps are -- and this is from the minutes -- "One: Project report includes project details submitted to the Board for resolution approval." Was that done?

MR. ARCARIO: (off mike) No.

SENATOR LESNIAK: Okay.

"Number two: Submission of project report, along with the Board's resolution to the NJ Commission on Capital Budgeting and Planning for their resolution approval." Obviously, that wasn't done, because the project report wasn't done, correct?

MR. ARCARIO: Correct.

SENATOR LESNIAK: "Number three" -- most important; number one and two are very important. "Number three: Concurrent resolution approving the project by both houses of the Legislature." "Number four: Pursue additional bond financing with Board approval, involving Bond Council and the New Jersey Office of Public Finance." I believe that probably was done.

And New Jersey Building Association and the DPMC -- Department of Procurement and Management Control (*sic*), or what? Division of--

MR. DONAHUE: (off mike) Property--

SENATOR LESNIAK: Property and--



STATE TREASURER SCUDDER: Property Management and Construction.

SENATOR LESNIAK: --Construction Procurement-- Procurement of additional services and construction. So you haven't followed your own recommendations, and we're going to have to look into that.

Anything else? (no response) No?

All right; any other questions from the members? (no response)

I want to thank you. You know, you've been very candid and open, but we need more openness. And we'll be requesting documents from the Building Authority; we're going to be requesting, for sure, that the approval process, as recommended by the -- as noted and required by the Assistant Attorney General, is followed.

So thank you very much; and we'll keep in touch, okay?

You want to sum up?

STATE TREASURER SCUDDER: No, I was just thanking you. It's been a few months since I've been here; a few more months since I'm coming again. So I enjoyed coming down; thanks for having me. And you have my cell number; I'm happy to chat any time, Mr. Chairman.

SENATOR LESNIAK: You're always available, and I appreciate that. Thank you very much.

Okay; now Michael Hanrahan from the American Institute of Architects, New Jersey Chapter.

Senators -- Senators.

**MICHAEL HANRAHAN:** Good morning.

Thank you, Mr. Chairman and members of the Committee, for the opportunity to testify today.

My name is Michael Hanrahan; I am a licensed architect here in the State of New Jersey. I am an expert in historic preservation, and a proud member of the American Institute of Architects, New Jersey Chapter, where I am a Past President.

AIA New Jersey -- we represent 2,000 licensed architects practicing within our great state. The New Jersey State House has a history as rich and diverse as the state itself.

SENATOR LESNIAK: (off mike) One second, please.

MR. HANRAHAN: Sure.

SENATOR LESNIAK: (off mike) We are going to wait until folks get out and we have some quiet.

Okay; all right, thank you.

Please proceed.

MR. HANRAHAN: Sure.

The State House is a source of civic pride, not only amongst New Jersey architects, but throughout the entire state population as well. The State House is home to our State's democratic process, and our organization looks forward to its renovation and modernization so that it can continue to serve the citizens of New Jersey as they come to participate in the shaping of public policy.

Should the State House require a \$300 million renovation and modernization, we applaud the State for taking the bold steps necessary to preserve the facility. Based on everything we have heard or seen to date, we understand the State House is an elaborate architectural jewel with

extensive needs. We have heard reports and assessments have been prepared to justify the immediate need to renovate the building, and to justify the significant project budget.

We are concerned about the rapid pace of office relocation -- we have heard portions of this building may be vacated as early as July 2017 -- and the overall assessment of the condition of the building. As architects, we are trained to protect the public's health, safety, and welfare. In 2012, as stated earlier, the New Jersey Division of Property Management and Construction issued a Request for Proposals for exterior envelope repairs of the Executive State House. That RFP had a clearly defined scope of work and budget, which has since increased dramatically. AIA New Jersey has previously requested copies of all reports prepared by the New Jersey Department of Community Affairs, if they exist; and by the State's architectural consultant, delineating the deficiencies within the building. Our concern is that the rapid pace of the project has not afforded the State adequate time to properly check and balance the anticipated project cost. Realizing the State has economic needs well beyond the State House project, we offer our services as an independent review to help determine the accuracy and immediacy of the anticipated needs and costs of the project.

Furthermore, AIA New Jersey has additional concerns that the project was not re-advertised for architectural services. In my opinion, and in contrast to what was stated just moments ago, there is a dramatic difference between a modest \$20 million project and a \$300 million project.

SENATOR LESNIAK: (off mike) I think in our opinion as well; and (indiscernible).

MR. HANRAHAN: Our recommendation is that a new Request for Proposals be issued, with a reconciled scope of work, to solicit professional services of qualified architects and engineers for this much larger project. While you have a qualified architect currently, you may find -- with an RFP for whatever the scope ultimately ends up being -- an equally qualified architect or engineers who are more advantageous to the State.

SENATOR LESNIAK: (off mike) Also, may I add -- actually, I *will* add -- there will be a competitive process. So maybe some other architectural firms -- New Jersey architectural firms -- qualified as well, can come up with different proposals that are going to save the taxpayers money. And also we can get a prioritization that we have not gotten yet. So I will certainly concur with a new procurement--

MR. HANRAHAN: And Mr. Chairman, you touched on it. In addition, we would just request consideration be given to one of the many architectural -- talented architectural firms in our great state.

So with that said, thank you for your time and the opportunity to testify today. At AIA New Jersey, our goal is the State's goal: We all want a State House that we can be proud of.

SENATOR LESNIAK: (off mike) Thank you.

Questions?

Senator Oroho.

SENATOR OROHO: And thank you very much, because we have a professional in front of us. I think it's always good when we have people willing to sharpen their pencils a little bit more.

In your professional opinion -- in seeing what you have seen here, you believe that the project -- obviously, the safety stuff -- is absolutely necessary that we do, right?

MR. HANRAHAN: We are not looking to compromise the public's health, safety, and welfare.

SENATOR OROHO: Right.

MR. HANRAHAN: I've been through the building; I -- being candid -- proposed on the initial RFP. We're aware of many of the deficiencies in the building. But the full extent of the scopes -- I personally don't know, because I haven't seen any of the reports.

SENATOR OROHO: Do you know if you-- Okay; so as far as physically, do you know of any professionals who have bid, who have actually seen the pictures or seen the physical location of the pictures we're looking at?

MR. HANRAHAN: In discussing this at our organization, not many of our members were aware.

SENATOR OROHO: Okay.

MR. HANRAHAN: I assume that it's your professionals that you have on -- that you have retained previously that are aware of the exact conditions.

SENATOR OROHO: Okay.

SENATOR LESNIAK: Yes, and the reason for that is, there wasn't a procurement process. So, okay.

Senator Kyrillos.

SENATOR KYRILLOS: Well, didn't I hear the Treasurer say that they went to 52 firms?

SENATOR LESNIAK: That was for the original procurement, Senator.

SENATOR KYRILLOS: And that was for a--

SENATOR LESNIAK: For \$30 million.

SENATOR KYRILLOS: --smaller project?

SENATOR LESNIAK: Yes.

SENATOR KYRILLOS: So were there any New Jersey firms among those 52?

MR. HANRAHAN: Yes, absolutely. But as Mr. Chairman said, it was advertised as a much smaller project.

SENATOR KYRILLOS: Well, did anybody bid?

SENATOR LESNIAK: Fifty-two.

MR. HANRAHAN: I think he said 13 or 15.

SENATOR KYRILLOS: Well, they went out to 52; but did any New Jersey firms--

MR. HANRAHAN: Yes.

SENATOR KYRILLOS: Obviously, they weren't chosen.

SENATOR LESNIAK: Well, that's a good question. I'm sorry; I thought -- I misunderstood the testimony. I thought 52 firms actually did put in a bid.

MR. HANRAHAN: They went out to 52 different firms; some of them were New Jersey firms.

SENATOR KYRILLOS: They didn't qualify.

MR. HANRAHAN: Some of them were unqualified.

SENATOR LESNIAK: Okay.

MR. HANRAHAN: I don't remember the exact number -- if it was 13, or 15, or so responded.

SENATOR KYRILLOS: All right. So did any respond?

MR. HANRAHAN: Yes. New Jersey architects did respond. We also know, from discussions at our membership, there were firms that did not respond because of the size of the project -- that it might have been too modest for some of the firms.

SENATOR LESNIAK: Too modest?

SENATOR KYRILLOS: Too modest?

SENATOR OROHO: That's interesting.

SENATOR LESNIAK: Yes, that's very interesting.

SENATOR KYRILLOS: So let me just ask a question.

SENATOR LESNIAK: Okay.

Excuse me; 15 that did respond -- don't know how many--

SENATOR KYRILLOS: So the firm they chose -- I never heard of them -- but they have a record: state capitals in New York, Pennsylvania, Virginia; the Alamo; United States Supreme Court. Do we have any New Jersey firms that have worked on state houses around the country, that you know of?

MR. HANRAHAN: Yes.

SENATOR KYRILLOS: Who was that?

MR. HANRAHAN: Well, here in New Jersey alone, when we did the legislative work in the early 1990s -- don't hold me to the date--

SENATOR KYRILLOS: Yes, the late 1980s--

MR. HANRAHAN: The late 1980s; thank you.

SENATOR KYRILLOS: --early 1990s; yes.

MR. HANRAHAN: That was done by, at the time, Ford Farewell Mills and Gatsch Architects out of Princeton; who have since recast themselves as Mills and Schnoering. But they're experts in historic preservation. There are a number of other qualified firms in the state as well.

SENATOR KYRILLOS: Yes, I assume you've talked to the Treasury people over here before, prior to this meeting, about your concerns.

MR. HANRAHAN: We have not, no.

SENATOR KYRILLOS: You haven't?

MR. HANRAHAN: No.

SENATOR KYRILLOS: You should communicate with them, right?

SENATOR LESNIAK: Well, I think I've made that clear, and you have just made it clear in your testimony. We will ask them to go out with a new procurement to give other firms, particularly New Jersey firms, a chance to compete; but also, as Senator Oroho said, to sharpen pencils. There was no pencil sharpening when this project was expanded from \$38 million to \$300 million.

MR. HANRAHAN: If I could offer two examples. First-- And my intent is not to disparage another professional. I'm sure they're qualified. I know they're qualified; they qualified. But when you're putting a team together for a project -- especially a project that was advertised for exterior envelope repairs of \$20 million -- I know when our office puts together a proposal, you know, we're constantly strategizing about what's the best team we can put together around us, inclusive of engineers --



oftentimes structural engineers, mechanical engineers, fire suppression engineers fall under the architects' umbrella. If the project was to be more comprehensive than the exterior project that was previously advertised, firms might have selected different engineers to partner with that might have been more advantageous to the State.

SENATOR LESNIAK: Thank you very much; and thank you for asking that question, and for answering it in the way you did.

Louis, will you get, from the Treasurer or from the New Jersey Building Authority, the team that has been put together for this massive \$300 million project. I think that was something we should know.

MR. HANRAHAN: The other point I was going to make -- while professionals are not held to the same standard; if we were the general contractors -- the people actually doing the bricks and mortar work on the project -- and they had a contract, and their contract started to have scope creep, there are laws in place -- I believe, from memory -- that there's a cap of about 20 percent in change orders that can be given to any general contractor. Somebody should check me on that, but I'm going from memory. You know, here, as somebody stated earlier, the project scope creep went from a \$20 million project to \$300 million. I understand that a portion of that contains contingency and things like that. But it is a very significant increase in scope.

SENATOR LESNIAK: I see.

Excuse me. We have -- excuse me; I'm sorry -- but in terms of the team, we have some document here, but I don't believe this-- We do have the team, okay? But this will be public information, as well; we'll enter it into the record. Thank you very much for submitting it to us.

I'm sorry.

But your point is still well taken; yes, your point is well taken. How was this team selected as well; that's important. Again, I'm sure they're all qualified. This is a very highly qualified architectural firm. But then again, we have many of those in New Jersey as well; and maybe the team would have been -- having more New Jersey-- Maybe this one does; I don't know. We just got it, but we'll examine that as well.

Anything further?

MR. HANRAHAN: I don't. Do you have any other questions for me?

SENATOR LESNIAK: Any questions from the Committee?  
(no response)

Okay; thank you very much for your testimony.

MR. HANRAHAN: Thank you.

SENATOR LESNIAK: And we have one last person. Anyone else besides Gordon MacInnes? (no response) Is that it?

Gordon, come up; you're going to wrap it up -- New Jersey Policy Perspective.

**G O R D O N A. M a c I N N E S:** Thank you, Mr. Chairman. I appreciate this opportunity.

I want to commend you, as Chairman of the Committee, for convening this session, and bringing into the spotlight the fact that we were dealing with a project that the Governor apparently assumed could be done without legislative or public consideration.

And this is a very important hearing because you, I think, have stopped a runaway train, frankly. And that is terribly important.

It's terribly important beyond the \$300 million. This represents a perfect example of how New Jersey, over a period of just two decades, went from being one of just nine states that had the highest credit rating, to being in the basement. And it's possible that this action -- if it were to go ahead as proposed by the Administration -- would lead to us replacing Illinois as the worst credit-rated state in the nation. And that is something that carries with it unforeseen costs that cannot be well documented; but it involves hundreds of millions of dollars in future payments by New Jersey taxpayers because of the State's very low credit rating. And this is, as I said, a perfect example of how we got into that basement situation.

And so I trust -- I trust that just the holding of this hearing today will stop the train. And that the Administration will not try to force this through and to shut down the Executive Wing of the State House -- not later than July 1, 2017, five months away, which is I believe what the Governor has stated is his intent. And that we at least have the time to consider the ramifications to the State's financial condition, and whether or not a second approach would be more sensible given the straitened financial condition of New Jersey.

And I commend you, particularly strongly, because I hope that this has stopped that runaway train. However, if it has not, then I would like to see the Committee -- maybe by Senators from both parties -- recommend to the presiding officer of the Senate that action be taken with the New Jersey Supreme Court seeking an injunction against the Administration, should it try to proceed on the path that it has laid out.

SENATOR LESNIAK: Gordon, you've read my mind.  
(laughter)

MR. MacINNES: Did I?

SENATOR LESNIAK: And it's not like I haven't done that before.

MR. MacINNES: No, that's right. And I wanted to point out that this has been done before; and it was done by Speaker Collins over the requirement that the Court impose the 100 percent financing of the Abbott school construction program. And he said, "Wait a minute. Let's see if this is the right thing to do." And he filed a petition with the Supreme Court, which was received primarily, solely because -- and I'm not a lawyer -- but it was received by the Court and heard by the Court because he was the presiding officer of a legislative chamber.

And so my hope would be that this will slow down the process so that all the questions that have been raised can be answered; so that the Legislature can take the action that it should take before anything on this scale occurs. And in the event that that does not happen, that the President of the Senate, at least, is encouraged to file a petition with the New Jersey Supreme Court.

SENATOR LESNIAK: Gordon, a very good point. As I said, you read my mind.

First, we will negotiate. We will negotiate with the Governor's Office, with the Treasurer, to do this in the correct way so that we can have public input; so that we can sharpen pencils to see -- prioritize -- how much is absolutely necessary, particularly because of the impact that such a large

bond issue could have on our credit rating; and most importantly, to prioritize what the needs of the State absolutely are.

So that's a good point; I'm sure we will do that. I hope we will not have to do that. So, great point.

MR. MacINNES: And I will just add one thing that I did not include in my prepared testimony.

Since this is not a partisan issue in the way it's being considered -- I don't believe -- I would add that perhaps the Minority Leader of the Senate could join, if that were required. Because the issue that is being considered has so much to do with the past practices that brought us to the basement, and the future implications if a Governor is free to begin issuing debt without legislative and public consideration.

SENATOR LESNIAK: Which I must -- which I will include, and involved both Democratic and Republican Governors. You're correct.

Any questions?

Yes, Senator Oroho.

SENATOR OROHO: I appreciate the transparency in bringing this to light. Because one of the things -- and I appreciate the Administration -- is that this has been this way for a long time. And you look at these pictures -- these are liabilities waiting to happen; yet we have to sharpen pencils. And we can -- obviously, must have -- *nice to have* shouldn't become *must haves*. But look at this: This has been a liability waiting to happen, so I'm glad at least it's out in the open. And let's get pencils sharpened. But I'm glad people know about it.

SENATOR LESNIAK: Fantastic; me as well. And I'm glad -- and thank you, Gordon -- former Senator MacInnes for pointing out the importance of this public hearing.

Everyone else okay? (no response)

Anyone else to testify? (no response)

All right; thank you very much. This is just the beginning, and we will stop the train from going off the tracks and get it done the right way, at the proper cost to the taxpayers.

Thank you.

**(HEARING CONCLUDED)**