Commission Meeting

of

NEW JERSEY COMMISSION
ON CAPITAL BUDGETING AND PLANNING

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

DATE: October 21, 2005
10:00 a.m.

MEMBERS OF COMMISSION PRESENT:

B. Carol Molnar, Chair
Anthony F. Annese, Vice Chair
Assemblyman Joseph Cryan
Assemblyman Guy R. Gregg
Patrick Brannigan
Gary Brune
Robert A. Roth

ALSO PRESENT:

Rosemary Pramuk
(Representing Senator Robert E. Littell)
Joe Latoof
(Representing A.J. Sabath)
David Rousseau
(Representing John E. McCormac)

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

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TABLE OF CONTENTS

rs: 1-45

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

In accordance with the Open Public Meeting Law, the Commission has provided adequate public notice of this meeting by giving written notice of the time, date, and location. The notice of the meeting has been filed at least 48 hours in advance by mail and/or fax to with the Trenton *Times* and the *Star-Ledger*, and filed with the Office of the Secretary of State.

We will now take a roll call.

MR. LIHVARCIK: Senator Littell. (no response)

Senator Bryant. (no response)

Assemblyman Cryan.

ASSEMBLYMAN CRYAN: Here.

MR. LIHVARCIK: Assemblyman Gregg.

ASSEMBLYMAN GREGG: Here.

MR. LIHVARCIK: Mr. Rousseau.

MR. ROUSSEAU: Here.

MR. LIHVARCIK: Mr. Latoof.

MR. LATOOF: Here.

MR. LIHVARCIK: Mr. Brune.

MR. BRUNE: Here.

MR. LIHVARCIK: Mr. Brannigan.

MR. BRANNIGAN: Here.

MR. LIHVARCIK: Mr. Roth.

MR. ROTH: Here.

MR. LIHVARCIK: Mr. Annese.

MR. ANNESE: Here.

MR. LIHVARCIK: Ms. Molnar.

MS. MOLNAR: Here.

MR. LIHVARCIK: Madam Chair, we have a quorum.

MS. MOLNAR: Thank you.

Next item is the Executive Director's report. Is there anything to report?

MR. LIHVARCIK: Given the shortness of this meeting, my report will be just as short. I have nothing to report. (laughter)

MS. MOLNAR: Okay, thank you.

We will start our Fiscal 2007 capital requests.

Our first department is the Commission on Higher Ed. I'd like to welcome Dr. Jeanne Oswald.

J E A N N E M. O S W A L D, Ed.D.: Is this the one, or is this the one? (referring to PA microphone)

Okay.

MS. MOLNAR: Good morning. Could you introduce your staff for the stenographer?

DR. OSWALD: Thank you very much, Madam Chairwoman.

Good morning to you and to all of the members. It's a pleasure to be here today to appear before you.

I'm Dr. Jeanne Oswald, Executive Director of the Commission on Higher Ed. And with me is Dr. Richard McCormick, the President of Rutgers University and also the Treasurer of the New Jersey Presidents' Council. The testimony we submitted to you indicated that Dr. Pruitt, the Chair of the Presidents' Council, would be here this morning. And he was not able to do that. Dr. McCormick very kindly agreed to fill in for him today.

We're here to discuss, of course, the capital renewal and renovation needs of the 11 senior public colleges and universities. Following my remarks, Dr. McCormick will make comments. And then we would be very pleased to answer any questions that you might have.

The critical need for a major infusion of capital support for higher education persists, and it's undeniable. I think support for facilities would significantly increase the State's ability to produce the workers we need for the future, and educated citizenry. And it would also support and provide competitive, high quality programs and research that are so necessary for the economic development goals of this State.

Our colleges and universities are facing a demand to serve more students, as you've heard for several years now. And the senior public institutions must play a role in meeting that demand. There's no doubt, then, that new and expanded facilities will be needed.

However, there's also a very important and critical role to regularly maintain and renew existing facilities, to preserve the State's assets, and to enable New Jersey to serve students and to enhance research and development. And that's what I wish to address today.

As State institutions, the three public research universities and the eight State colleges and universities rely on direct State appropriations to help to address their annual renewal, preservation, and compliance needs. And yet there has been no State support over the past several years for this particular purpose. The only other revenue source, of course, is student tuition and fees. And it's certainly limited -- the degree to which we can generate support from student tuition and fees if we want to maintain access and affordability.

As a result, a large portion of the cyclical renewal, preservation, and compliance needs at our institutions is deferred each year. For the short-term, on behalf of the Commission on Higher Education, I respectfully urge you to consider direct funding for Fiscal 2007 for regularly scheduled renewal and maintenance, and to prevent a further backlog of renewal needs.

Nationally -- I know you've heard us say this before -- there is a standard that's recognized and recommended, that between 1.5 and 3 percent of the replacement value of the institutions be put aside each year for renewal and replacement needs. For Fiscal 2007, therefore, the Commission is recommending the State appropriation of $44.2 million, which is 1 percent of the most recent estimated total replacement value. And I would add that that is an estimation. It does not include new construction that's taking place at our institutions since 2003. We will soon be doing a new capital survey of the institutions to determine their existing needs and their square footage so we can determine replacement value more accurately. It is certainly more than what I have eluded to here.

The colleges and universities would match this appropriation of 1 percent of replacement value from the State with .5 percent, to meet that minimum national recommended standard of 1.5 percent through a shared effort, the State and the institutions.

Next Friday, the Commission on Higher Education is going to be adopting an update of *A Blueprint for Excellence*, which is New Jersey's long-range plan for higher education. That update revises the 2003 plan, based on changing circumstances and needs. It also tracks the progress in achieving the goals and the objectives that we've set out for ourselves. And it provides a general status report on each of the components for the new plan.

A major issue in that blueprint is the lack of any State policy regarding capital support for higher education. As called for by the plan, the Commission formed a Higher Education Capital Planning Task Force, and the group began its work in June of 2005. That Task Force, comprising of a broad base of State leaders, legislators, folks from the administration, presidents, members of the Commission, and members of the business community-- And they're reviewing the past capital funding sources in the State, methods and levels of funding for New Jersey higher education capital needs, as well as capital support practices in other states.

The Task Force is expected to make their recommendations to the Commission this Winter to guide State support for higher ed capital needs in the future. It's a long-term look. It's not about what to do this year or next year. The Commission will discuss those recommendations and seek public input prior to putting together a recommendation for consideration by the new Governor and the Legislature. One aspect of that proposal will be a policy to guide this very important need: regular capital renewal and the preservation of the facilities at the senior public institutions.

Our public colleges and universities are critical State assets, as you know. And they're integral to the future economy and the well-being of this state. We will continue with our efforts to develop long-term policy to help maintain them. And I urge you, in the interim, to recognize the immediacy of providing a minimal level of support for this next year, to avoid further erosion while a long-term policy is being formulated to address this issue more systematically over the years.

We recognize the fiscal constraints that the State has been facing over the past couple of years, acknowledge that, and encourage anything you can do to at least make the effort to provide some support for this coming year, so that there is that shared effort to maintain the assets we have and to serve the students and the State.

At this point, I turn the microphone over to Dr. McCormick.

RICHARD L. McCORMICK, Ph.D.: Thank you, Dr. Oswald.

And thanks to the members of the Commission on Capital Budgeting and Planning for this opportunity.

My words will be brief, but I wish to provide a university perspective on the need for increased State funding for higher education capital projects.

As Dr. Oswald has observed, there are two objectives here. First, is the need for new facilities for teaching and research, to advance our twin goals of educational opportunity for New Jerseyans and economic growth. This means classrooms, laboratories, and academic facilities of all kinds. The needs are very great across our colleges and universities. And we aim to place them before you in the year ahead.

Second, many of our existing facilities at New Jersey's senior public colleges and universities are outdated and in need of repair. With demand for a college education at an all-time high in New Jersey and across the land, it's essential for State government to help address the serious backlog of maintenance to our classrooms, laboratories, and other structures that are literally the physical foundation of higher education excellence here in New Jersey.

This morning, I would like to offer a few facts about my own institution, Rutgers, The State University of New Jersey, as an example of the challenges facing all public four-year colleges and universities. Any of my fellow presidents who were sitting here could tell the same story about her or his college or university. But I will give my -- I'll draw my examples from Rutgers.

Founded in 1766, Rutgers is the nation's eighth oldest institution of higher education. Due to the school's long history, a majority of our buildings were constructed before 1970, and some of them date back to the early 19th century. Rutgers' buildings, old and new, are currently valued at around $2 billion. Our estimated backlog of deferred maintenance, and access and code upgrades exceeds $500 million.

Despite efforts to reallocate resources to cover our capital needs, there remains a backlog of over 7,500 deferred maintenance projects on our three Rutgers' campuses. These projects range from underground tank replacements, to roof repairs, and include compliance projects to meet State and Federal requirements for air quality; safe and effective electrical systems; and handicapped access, among others.

By now, I would imagine that some of the members of this Commission are asking, "Wasn't the Higher Education Capital Improvement Fund supposed to address these problems?" The answer, of course, is yes, it was. And it helped. The Capital Improvement Fund was designed to reduce the deferred maintenance backlogs in New Jersey's colleges and universities. And speaking not only for Rutgers but for all of the institutions, we are very grateful for that help.

That fund, however, was not nearly large enough to tackle all of the capital problems existing back to 1999. Moreover, the lack of State capital support since then -- that Dr. Oswald has observed -- has resulted in a return to a lengthy backlog of deferred maintenance projects on all of our campuses. Rutgers is not alone in that respect.

Finally, to address these needs, and to prevent the further rise of facilities' concerns, I hope you will give serious consideration to the recommendations, set forth by Dr. Oswald, that the State appropriate, on an annual basis, at least 1 percent of the estimated replacement value of higher education facilities for maintenance and renewal projects at New Jersey's senior public colleges and universities. We are fortunate to possess great assets in our buildings and our facilities. And, collectively, we have an obligation to the future generations of New Jerseyans to preserve them.

Thank you for this opportunity to address the Commission.

MS. MOLNAR: Thank you.

Any questions or comments?

Assemblyman Cryan.

ASSEMBLYMAN CRYAN: I've got a couple of questions.

And thank you for coming this morning.

Dr. Oswald, I guess I will ask you, is there a list of projects?

DR. OSWALD: A list of projects for maintenance and renewal for the money that we're asking for at this point?

ASSEMBLYMAN CRYAN: I heard Dr. McCormick say it's $500 million at Rutgers, which I assume, by net worth by the way, Rutgers is about 45 percent of the total net worth. It's $4.42 billion, and Rutgers is about two.

But where would the $40 million go? Would it go to the schools in my district, or in Rutgers? Where's the list of the priorities?

DR. OSWALD: In the past, when this Commission has provided funding for maintenance and renewal, there have been submissions by the institutions every year to this Commission by dollar.

ASSEMBLYMAN CRYAN: Is there a list here? I didn't see it.

DR. OSWALD: I did not see that. They don't come to me. They generally are requested of the institutions every year. And a set of information is provided. I don't know if that request was made this year.

ASSEMBLYMAN CRYAN: I didn't see it. I don't have it. And I think, from the looks on everybody's faces, they don't have it either.

DR. OSWALD: Then I think the most recent list that we have is a list from 2003. And those projects have not been, for the most part, taken care of. Our last survey was 2003. And part of our Capital Planning Task Force requirement is to do a new survey of the needs at the institutions, not only of deferred maintenance, but ongoing needs, capital needs for new construction, and so forth. So we are going to be undertaking that now as a two-year update of our 2003 data.

ASSEMBLYMAN CRYAN: So I should go back to my 2003 file?

DR. OSWALD: I could certainly provide you with the list of capital -- of the deferred maintenance needs that existed in 2003.

ASSEMBLYMAN CRYAN: I have my old files, too, but I was just wondering. So those priorities remain the same? Nobody fixed a sewer or upgraded the buildings since then, and they're all the same?

DR. OSWALD: No, I would say that a lot of that work has been done. But the bottom line is, the number that Dr. McCormick indicated, just for Rutgers, suggests that the total of $66 million that we would have, with the two shares of the State's and the institutions' money, would be a very small drop in the bucket compared to the ongoing needs and the deferred maintenance.

ASSEMBLYMAN CRYAN: Everybody looks at things differently. I still think $40-some-odd million is a lot of change.

DR. OSWALD: It certainly is a lot of change.

ASSEMBLYMAN CRYAN: I want to ask you.

I guess this goes to you, Dr. McCormick.

I'm going to use a District 20 example, which I represent. And you can, maybe, help me.

There is a university in my district, without being too specific, but it's fairly large. And in the past -- to listen to you-- And I believe if I listened to every university president they would say the same, "We need money for deferred maintenance, and so on." In the past month and a half, they've made a deal with a large corporation -- as a matter of fact, the largest employer in my district -- and bought seven, eight acres of land for millions of dollars for expansion, of course, without consulting the local municipality and, therefore, looking to take it off the tax rolls -- in a view I consider to be just pure arrogance.

How is it-- What is the decision-making process of purchasing land as opposed to-- As you said here -- and you talked about it from the Commission's standpoint, where universities have money to purchase land, yet talk about deferred maintenance. In my view, people don't expand their house if the plumbing is broke, so to speak. And I'm wondering, why it is -- and it's throughout the state, it's not unique to my district -- I just think the arrogance is. But I see expansion in different areas, and yet the deferred maintenance--

Who makes those value judgements?

DR. McCORMICK: Assemblyman, you asked several really smart questions.

ASSEMBLYMAN CRYAN: Thank you.

DR. McCORMICK: I'll answer on the basis of Rutgers, whose facilities are located throughout New Jersey, essentially in four separate municipalities: Camden, Piscataway, New Brunswick, and Newark.

From time to time, we do purchase land, probably most notably in Camden and Newark. And those land purchases are always discrete and well targeted to a particular need or project. And they're always undertaken in intense collaboration with local authorities in those municipalities.

ASSEMBLYMAN CRYAN: So you share a plan with the local municipality, invite their input.

DR. McCORMICK: Oh, sure.

ASSEMBLYMAN CRYAN: And that's unique? Or should I say, does the Commission of Higher Ed-- Let me ask it in this form. Do they have a policy?

I'll do my soliloquy a little bit again. I find it very frustrating to have to sit here, time and time again -- a little bit as an elected legislator and somewhat having been on this Commission for three or four years -- to get a lecture in terms of how funding isn't provided, and then money is found for expansion.

DR. McCORMICK: Well, I didn't mean to seem lecturing. There's not much money available for expansion. Although, in the absence of adequate State support for either new facilities or deferred maintenance -- and I don't mean there's been none for either, but it hasn't met the needs -- most of the institutions have done some of that on their own hook, mainly through the reliance on tuition revenues -- much of it by borrowing in anticipation of future tuition revenues. So the land purchases -- if that's still the main subject of your interest -- that we have made in Camden and Newark, for example, would have been on that basis.

When new facilities are constructed -- and we do have some new facilities under construction -- it has always, within recent years, been through a variety of revenue streams: some from the State, to the extent it was available, but more on the basis of borrowing, on the basis of anticipated revenues from Federal indirect cost returns, or gifts from private donors. All of the institutions have become, if I may say so, quite entrepreneurial in compensating for the want of the State dollars we'd like to have. And there's no question that we have identified some other ways of moving ahead.

ASSEMBLYMAN CRYAN: You mentioned--

DR. McCORMICK: Insufficient, but that's what it is.

ASSEMBLYMAN CRYAN: You mentioned that Rutgers hasn't had a new building in New Brunswick since before 1970. Is that right?

DR. McCORMICK: I'm sorry, I said what?

ASSEMBLYMAN CRYAN: There's no new buildings on the campus since 1970?

DR. McCORMICK: Oh, no, sir. I didn't say that.

ASSEMBLYMAN CRYAN: Maybe I misunderstood.

DR. McCORMICK: I said that many-- Okay, let me read the sentence again.

ASSEMBLYMAN CRYAN: No, that's alright.

DR. McCORMICK: Due to the school's long history, a majority of our buildings were constructed before 1970, and some date back to the early 19th century.

ASSEMBLYMAN CRYAN: That's the part that makes the place special, though -- is the fact that it has a--

DR. McCORMICK: I wouldn't trade it for any other.

ASSEMBLYMAN CRYAN: No problem. I just--

DR. McCORMICK: It's just that older buildings, by definition, accumulate more needs for maintenance. That's the only point I was making.

ASSEMBLYMAN CRYAN: I guess I-- You know, this is a public hearing, and I want to be direct, to you, as somebody I admire, who I think is doing a fabulous job. Douglas College notwithstanding. God bless you with that.

I have a lot of concern when I hear the Commission of Higher Ed come in here and -- not only just here, but in front of the Budget and

Appropriations Committees -- and particularly the Budget, which I sit on -- and talk about the lack of the State dedicated resources. And then on a personal basis, in the 20th District, continue to see municipal property swallowed up without the concern for the local taxpayer in any way, shape, or form, which is where everything evolves from.

I suppose, at one level, what I want to do here, publicly, is tell you, until there's some turn of events where-- And you may-- I know you're the exception, because you call people back. I'm going to be a little gratuitous here.

There needs to be, from the Commission on Higher Ed, an understanding that you're not in the sole world. And coming in with a formula, quite frankly, that doesn't have priorities for this Commission, is another example -- whether I go back to 2003 or not -- of the idea it. It is money. And there needs to be some understanding of the respect for people that govern the State, and govern local municipalities, and their needs, as well. And I personally, on a firsthand basis in my district, am not experiencing that. And it raises grave concerns. I hear it in some other areas throughout the State. And that's what leaves me suspect here.

You're basically saying, "Give us $44 million. We'll let you know how we're going to spend it." And you know what? If that was somebody else coming in here that didn't have your prestige, there would be a whole lot of different attitudes here. It doesn't work that way. And that's my comment.

Thank you.

DR. OSWALD: Assemblyman, if I may, through the Chair, we would-- We respect what you have suggested. I think that's an appropriate comment. And I apologize. As I said, it has been my experience that every year those projects are collected. And there are far more than can be funded. But it gives a priority basis, as well as -- when the institutions provide them. Why we don't have that this year, I'm not sure. But we can certainly provide that.

MR. ROTH: Madam Chair.

MS. MOLNAR: Mr. Roth.

MR. ROTH: Good morning, Dr. Oswald.

This formula that has been proposed, this 1 percent to be appropriated by the State and the other half percent to be raised by the colleges themselves, has been something I've heard for a long time. I've been on this Commission 10 years.

And if the property is worth $4.42 billion, I think that would mean, over the last 10 years, that the universities themselves, if they had adhered to the formula -- which I presume they would do, whether or not they get the State funding or not -- would have raised $200 million for maintenance. Could you tell me whether or not that amount has been spent in the last 10 years?

DR. OSWALD: Our recommendation, which is long-standing and certainly is at least 10 years going -- and we used to come to this Commission and ask for, I believe, 2.5 percent total, split between the institution and the State.

When there is not money forthcoming from the State, the institutions -- I can't speak for each one of them, but certainly based on the records that we have -- do what they can with the money they have, either through tuition, fees--

MR. ROTH: Are they approaching anywhere near the half a percent?

DR. OSWALD: We have not kept a record of the amount that they're spending, but we have it all in their annual audits and in their budget information. And we could look at that and see what percentage they're spending.

MR. ROTH: It seems odd to me that you come in here with a formula, asking us to come up with 1 percent, and you'll come up with a half a percent, if you can't demonstrate to us that you've ever come up with that half a percent.

DR. OSWALD: Well, I think that we can easily demonstrate it if we put the numbers in front-- We know the buildings are being cared for, to some degree. They're taking their highest priority needs and doing those. And others wait until they become the highest priority need. There's, certainly, renewal and renovation going on, but not to the extent that national standards recommend would be appropriate.

MR. ROTH: Thank you.

MS. MOLNAR: Any other questions?

Assemblyman Gregg.

ASSEMBLYMAN GREGG: Thank you.

Good morning.

I just want to follow on-- I'm looking at some of these numbers. The assets of all of your facilities were approximately $4 billion. Was that what--

DR. OSWALD: That's the estimate without taking into consideration new construction since 2003.

ASSEMBLYMAN GREGG: And you stated that $550 million Higher Education Capital Improvement bond was not to cover our deferred maintenance.

DR. OSWALD: Correct.

ASSEMBLYMAN GREGG: Now, based on the formula, which I'm not going to say I agree with either-- But that's a huge percentage of the value of your assets. That's almost 20 percent, probably -- 16.6 percent to be exact, based on a half a billion versus four billion. That's a lot of money. If you had a half a million dollar house, that would be, like, $100,000 of the value of that house.

Where did all that money go?

DR. OSWALD: The backlog of deferred maintenance that existed in 1999, when that bond act was enacted, was extremely large, well beyond the $500 million. Our Capital Task Force has recently looked at the amount of State support for this particular purpose, not for construction, not for equipment, but for renewal and renovation over a 20-year period -- was $161 million for all 12 -- 11 institutions.

So it was a very small amount. So the amount of work that was done over those 20 years was done primarily through institutional funds. I can tell you exactly where all the $500 million went that was for the public universities. We have a full report on every penny. It is all approved for the expenditure. And I think, to a large degree, most of it was expended. The first approvals in the year 2000 amounted to over $350 million of the $550 million. So that money was put to work quickly on the very large backlog.

As that backlog was being addressed, the institutions had very small amounts of funds to appropriate for their regular, cyclical, annual maintenance renewal. So new backing -- new backlogs were building up as they were covering what had been built up over the '90s.

ASSEMBLYMAN GREGG: Through the Chair, I would request to the committee a list of the projects that were completed with the $550 million. I would also like to see, through the Chair, a list of the 7,000 deferred maintenance projects that are supposed to be out there right now. And I would like, through the Chair, to get a copy of all of the institutions' budgets so we can scrutinize what they determine to be repair and maintenance -- and I made this comment at the last meeting -- and what is a capital project. I think, in my short tenure here, it's beginning to show that, perhaps, we have definition changes we may have to move to in the 21st century to determine what is repair and maintenance, what is truly a capital improvement that we should be discussing here.

I think the comments made to my right, referencing the contributions of what the institutions have made is important. Sixteen percent in the capital bond would be assuming the State did not do anything for 16 years, based on their own formula at 1 percent.

So I think we need to scrutinize those -- one policy and one list to determine whether or not, quite frankly, the institutions are looking at repair and maintenance as the business community would look at repair and maintenance. That should be part of your operating budget, as opposed to coming here and doing what should, some would say, a poor accountant would do if they were trying to capitalize operating expenses, which is a policy that shouldn't be done in this Commission or, quite frankly, in the budget that we deal with at the State level.

So I would hope we would get some information so we can scrutinize the actual budget, so we can see how much the institutions -- and I think that reflects your questions -- have been spending on repair and maintenance, and then determine this list of 7,000 deferred projects. I'd like to see it. Because these institutions have fairly elaborate maintenance crews. And I would assume that they have capacity to do an awful lot of things in your institution. And I'm hoping that that list is not containing things that we could complete, as a normal business would do, in the process of day-to-day maintenance of their facilities.

Thank you very much, Madam Chair.

MS. MOLNAR: Mr. Rousseau.

MR. ROUSSEAU: A couple of follow-ups on what -- the range of questions that just went on.

How much of the 550 was used for new -- just even a percentage? Was it a lot, a little? How much of the 550 was used for new projects?

DR. OSWALD: About $90 million.

MR. ROUSSEAU: Again, I think this goes back to what we've heard over here from Assemblyman Cryan. Somebody's making the decision that maybe none of that $90 million should have gone for any new projects. If you have that great of a backlog, they should have-- The first thing that should have been done is use all of that money for repairs.

You ask us to make a priority of this, when in the institutions themselves-- You're not making a priority, necessarily, of that. If this certain university had money to buy land, they also had money to-- I'm assuming we're going to get a list from that university that has well more than the value of that land. They made a decision that they were going to not fund that maintenance, right? That is a decision that each one of your universities makes. Nobody tells you to do it or not do it. You make that decision. You have some money for either capital or expansion. You make the decision if it's new projects or renovation. That college made the decision. And I think we can probably find an example at every one of them, where there's been an example that they have the money, but make the decision.

Maybe there's a problem. Maybe there is a legitimate reason to make that decision, that you needed a new building for something because of something. But if the problem is that large, maybe that should be-- Maybe there should have been, at some point in time, a complete moratorium on any new construction at any of these facilities, at any of these colleges until the backlog could have been done. Exactly as they said over there, if you have a faulty plumbing system in your house, you're going to fix that. Or if the good Assemblyman had had problems, he wasn't going to expand his restaurant before he took care of the core issue there.

And, again, I just want to go along with priorities, too. We can't look at higher ed and capital needs in a vacuum. You can answer this one -- or if you don't want to answer it. And I know the answer will come back. I think I have an idea of what the answer is going to be.

You basically have three needs every year that you come to us for: the funding of your salary program, operational increases, and capital. Would you just rank those for me?

DR. McCORMICK: Mr. Rousseau, we can't run our universities without all three of those. The ranking is intertwined. The very first dollar might go to one, and the second dollar might go to another, and the third to a third. We genuinely need support. And not just from the State, but from all of the revenue streams available to us for all three of those things. We could never be in a position of-- We'll identify one as our top priority, completely take care of that, and only then will we turn to the second and the third priorities.

And the same applies with respect to the renewal of facilities versus the construction of new facilities. We are always within the constraints of limited dollars, just like you have constraints of limited dollars. We're always balancing. There is a genuine need for a new facility because of student demand in area *X*, and New Jersey's hitherto inability to meet demand in area *X*. So we're going to tighten our belts and build a teaching facility in that area. But at the same time, the roofs have to be fixed in the other departments and buildings, as well.

We struggle mightily, just as you do with the entire State budget, in balancing a diversity of needs to the best of our ability within severely constrained dollars.

MR. ROUSSEAU: One last-- The majority of your point -- that if we did this-- Your .5 percent -- the majority of that would come from-- If you only have two sources of revenue, it's either other areas of the State budget -- your operating budget -- that we give you, or tuition. Which do you think-- I mean, are you going to come to us -- where we put -- the Capital Commission puts a million -- puts 1 percent in, and then you're going to come to Assemblyman Cryan in the Budget Committee and now say, "We need an additional .5 percent in our base State budget to fund that"? How do you think that would split between tuition and your general operating -- how much do we charge off to your general operating budget?

DR. OSWALD: Well, we know, Mr. Rousseau, already that the institutions do do the renewal and preservation that they are able to do out of their operating budget, or student fees in the case of some construction of dormitories and so forth.

MR. ROUSSEAU: And I think that's the key reason that -- I think it was Mr. Roth -- asked for a list of what's been spent in past years. Because it may be that us giving you the-- You may already be spending that. What I'm hearing is, you may already-- Some of the colleges may already be spending the .5 percent. And I think that's something we need to know.

DR. OSWALD: I would expect they are.

MR. ROUSSEAU: Thank you.

DR. OSWALD: I might add, Mr. Rousseau, that on the construction piece-- That law, when it was written, made for three exceptions. All the money needed to be used for deferred maintenance. And there were three expectations. One was if your highest priority projects -- it can be determined and demonstrated that replacement would be less costly than trying to renovate a building. That was the case for $25 million of that -- at a particular institution whose highest priority was a new library or renovating the library. And they had to demonstrate to us at the Commission that it would be more appropriate to build a new library than to renovate.

As I said, the total of new construction was only $90 million. And each of those projects that we approved that were for new construction met one of the exceptions. The other two were to maximize Federal grant recoveries. And if they had met all of their deferred maintenance needs, or had funds available to meet them, then they were allowed to use it for new construction.

MR. ROTH: Madam Chair.

It's an interesting point you just made, but it's kind of like the tail wagging the dog. You can spend-- You can make a priority of building a new building if it's cheaper to build that than to fix up the old one. But the only reason you can't fix up the old one is because it's been neglected for the last 20 years. Whereas, if you had put the money in each year, you wouldn't have a need to replace the building today.

It's a dilemma that almost every level of government is faced with. But you can't ignore it. You just cannot keep putting these expenses off for the future. At some point, you have to bite the bullet and pay the bill. The determination of that priority is really, to some extent I would think, being made by the people who made the decisions not to spend the money in the first place. So it's a very, very, very difficult thing to look at, when you're asking us to come up with $40 million.

That's just a comment. It's not a question.

Thank you for your patience.

MS. MOLNAR: Mr. Annese.

MR. ANNESE: Dr. Oswald, I believe I've read in the *Popular Press* lately that your department is looking for another bond issue similar to the one of several years ago. Could you clarify that? Could you expand upon that, please?

DR. OSWALD: The Commission, as I indicated, has put together this long-term Capital Planning Task Force. And we are looking at the long-term. Discussions have come up in that Task Force about the high needs that exist now to increase capacity to serve more students, to enhance research and development at our institutions. And there has been discussion about the possibility of having a general obligation fund considered in this State. This is something that is growing at the discussion level. There isn't an official proposal out there. There's certainly a need. And I think that's probably what you've been hearing about. There have been a number of polls done over the years by some of the institutional organizations to determine the public opinion about this. And I believe that's probably what you've been reading about.

MR. ANNESE: Thank you.

MS. MOLNAR: Any other questions?

Mr. Brune.

MR. BRUNE: Three just quick questions for Dr. Oswald.

Just as a follow-up to Assemblyman Gregg's question about the projects that comprised the $550 million. I think, last year, you gave us a list that was the commitments that were known at that time against the 550. It was by college. Can we assume that that list is still valid or current?

DR. OSWALD: Absolutely. The list was developed -- some of it was developed right in the legislation -- Rutgers' amount, UMD's amount, and so forth. And then at the State colleges and universities, there was an agreement upon how that would be divided. And it came to the

Commission by resolution. We passed that amount. And that's probably what we distributed. That was the amount that was allocated to them. It was not available to them until they came to us with each of their projects, and they were approved through the Commission, and a resolution was sent back to the Legislature, at which time they had, I believe, 45 days to review and reject or approve that. So all of them have gone through that project. And I now have a complete list of the expenditures by each of the institutions and each of the four years, which I will make available through the Chair.

MR. BRUNE: That was going to be my next question.

So you have a list that actually shows, as opposed to commitments, what's been spent to date, as well.

DR. OSWALD: Yes. And, actually, the number that has been spent is pretty much all of it, $549,936,000.

MR. BRUNE: That's pretty much the number we had last year. So I assumed, at that point, this was just commitments. This is actual spent amount.

DR. OSWALD: Well, these are the approved projects. They're all in various places at the institutions. These bonds go through the Educational Facilities Authority. And they are the ones that actually issue the bonds and distribute them to the institutions for use. So we can certainly get their records about exactly how much has been expended at this point.

MR. BRUNE: That would be great.

Two other quick questions. Can I assume that EFA, the Educational Facilities Authority-- For projects that have a revenue component like garages or dorms, that typically you're using -- broad statement. You're using EFA for those types of maintenance projects. And what we would tend to see on the list that you're gathering are the non-revenue producing types of facilities and their deferred needs?

DR. OSWALD: Certainly, all the projects you're going to see used from this bond issue are -- fall into that category. If the bond issue had a provision-- It was amended, actually, to extend it from 5 percent to 20 percent that could be used in buildings like dormitories, provided that it was specifically to be used to meet Federal or other compliance needs, safety needs, health needs. So some of the money was spent in dormitories.

MR. BRUNE: I'm sorry, doctor. I'm talking prospectively. In the list you're about to come in with, would we see a list that is primarily devoid of things that have a revenue component? Because, in theory, you have a revenue option there.

DR. OSWALD: I would expect that you would see a list that is primarily devoid of those.

MR. BRUNE: Just the last question. In the list that you're preparing to submit, or you're going to help gather for us, would it be categorized in any way so we could tell what the, for instance, life safety type projects were versus something else? Because I know you're dragging this from the different colleges into one place.

DR. OSWALD: Yes. We have always collected this based on compliance with all the life safety, health and safety issues -- separated from deferred maintenance. And then we told them to put together the needs. So we can certainly separate those for you, yes.

MR. BRUNE: Just one last point. Is it then prioritized within college so that they're telling us the first thing they would do is this, and the last thing they would do is that? Is it that kind of list?

DR. OSWALD: Each college has a facilities plan. And for this particular bond issue, and for all of the work that we've ever done with the colleges in regard to capital needs, we always require that they demonstrate what their plan is, what their priority needs are. And they then come to us and indicate what they would like to use these funds for. In some cases, they have donors and other sources of revenue that they have to help with the projects.

MR. BRUNE: Thank you.

MS. MOLNAR: Any other questions?

Mr. Lihvarcik.

MR. LIHVARCIK: Yes. Dr. Oswald, one quick question. The $550 million -- was that matched by anything from the colleges?

DR. OSWALD: Very good question. Over the years, the bond issues, in some cases, required a match. I would say the last one I actually remember was the last GO bond in '88, which required a match both from the independent institutions who receive money and the publics.

Those that have been enacted through the '90s, for the most part, did not have a match but, instead, had the institutions paying a portion of the debt service. So it didn't increase the overall amount of money that was available for need. But the institutions were responsible for a portion of it.

In the case of the $550 million, I believe the institutions were responsible for one-third of that bond debt service. And the State paid two-thirds. And for the independents, it was half, and the State paid half.

MR. LIHVARCIK: So the one-half of 1 percent, that basically the institutions would put up if the State gave money, was not put up along side of this $550 million. I guess the way that I'm looking at it is, if you look as if the 550 were an annual appropriation, whereby that would be the State's share -- and maybe I'm completely off base here -- and the institutions were going to put up an annual share, as well-- Is what you're telling me that the institutions didn't put up an annual share along with this 550?

DR. OSWALD: No. I think we're talking about apples and oranges here. The 550 was for deferred maintenance. The money we're seeking, on an annual basis from the State -- as in the shared ability to support what is scheduled, each year for obvious reasons, cyclical maintenance -- when do you need the new roof on this building, when do you need to replace the windows on that building. They have schedules of what should be done and when it should be done. These are the funds that we're requesting on an annual basis to do what is the standard, nationally, to maintain your buildings.

The 550 was to address things that should have been done over several years in those categories that were not done. They were the deferred projects.

MR. LIHVARCIK: But I guess my question was, did the institutions rely on the 550 in lieu of putting up money to do projects?

DR. OSWALD: No.

MR. LIHVARCIK: So they were putting up their own money, as well?

DR. OSWALD: To do their regular, cyclical maintenance and renewal was a separate thing than taking care of projects that had been languishing for many years.

MR. LIHVARCIK: Thank you.

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

If not, I want to thank you, Dr. Oswald and Dr. McCormick, for coming today.

Thank you.

DR. OSWALD: Thank you.

DR. McCORMICK: Thank you.

MS. MOLNAR: Our next department is the State Library. I'd like to welcome our State Librarian, Norma Blake.

N O R M A E. B L A K E: Thank you.

I'm here today with Business Manager, Diane Koye.

And I thank you for this time to discuss our request with you, Madam Chairperson and members of the Commission.

I want to thank you, first, for your past support of the New Jersey State Library and the Library for the Blind and Handicapped. I'd like to talk about a few of our building problems.

I'd like to start with the Library for the Blind and Handicapped, which is the only public library that deals specifically with the close to 300,000 blind and visually impaired residents of the State of

New Jersey, the estimated 720,000 deaf and hard of hearing, and many of the 900,000 learning disabled in the state.

One of our problems is condenser pipes on our HVA system that have broken. They are 20 years old. The pipes broke twice in the past year. The first time they broke, the facility -- the Library was closed for a week. The pipe broke over a reading area. There was $60,000 worth of damage, drying of carpets, replacing ceiling tiles, and electrical equipment. The second time a pipe broke, it was in the Summer. Fortunately, the staff was there and able to minimize the damage. But if it had broken at night, the facility would have been flooded. And we are concerned about fire on electrical components. To replace the pipes would cost $270,000.

One of the most popular programs from the Library for the Blind and Handicapped is called Audiovision. And volunteers come to the Library for the Blind to record seven New Jersey newspapers; national, international, and special interest programs for the blind and visually impaired. Right now, we are running the program on a channel of NJN, Channel 52 analog. NJN is running DTV, or digital TV, in concert with analog at this time. We've been told by their engineers that as of April 7, 2009, there will be a cut over to digital.

We need to have our customers have preset receivers that can take the digital broadcast. And we need to change our equipment, as well, if we are to continue this program. If we had digital right now, we would be able to offer special commercial programming in Spanish, programs for children, and newscasts for adults. Most of our customers are poor, elderly, and homebound. And it's a vital issue for them.

To move to a Windows-based system from DOS, to repair our 10-year-old system for which parts are not available, to have two new booths to bring us to capacity for recording, and to go digital in time for 2009, is $460,000.

You've heard us, before, talk about the poor condition of the New Jersey State Library. This is the research library for government and for the people of New Jersey. We have the largest, publicly accessible law library. We do funding and foundations collections, genealogy, Jerseyanna, and State and Federal documents, for example.

Our cyber desk took over a million hits last year for research information. Our QandANJ, our 24/7 information service, answers, now, over 7,000 questions a month. Our JerseyClicks federated database searching had 1.3 million database searches in its first year.

We have severe water infiltration in the building. We need to replace our single-pane original windows. Caulking needs to be done around all of the windows, in the joints, and on the marble cladding on the outside of the building. Treasury has told us that there is no sense in repairing the walls internally until the water infiltration has been fixed. Every year, the cost of this goes up. Right now, the estimate for repair is $562,000.

We have, on Level 1 of the State Library, what we call *condensed shelving*. It is movable, compact shelving, and it houses 185,000 volumes on Level 1 of our building. This was placed there in 1986, so it is 20 years old. We cannot get replacement parts, and we have broken wiring and rails for the system. The wiring is tied into safety sensors that keep the stacks from closing on customers and on the staff. And so we need to have the rails and the wiring replaced, and the books moved temporarily so that this can be accomplished. And that would cost $366,000.

As you know, before we had asked for a feasibility study to be done on the options for the New Jersey State Library. And that request had been approved in a recommendation sent on by this Commission. It was included in a past governor's budget, but taken out -- funding was taken out due to the budget problems.

Our technology infrastructure is just not adaptable in this old building to the technology we need in almost every aspect of our jobs. The building is not large enough. We cannot weed. It's not like a public library, where there's a big turnover of popular materials. We are mandated to keep State and Federal documents and very old, but very well-used, research materials. And we just need to go ahead and take a look at what the options are. To do so would be $400,000.

So I thank you for listening to these requests. And if I have any questions--

MS. MOLNAR: Thank you.

Any questions or comments?

Mr. Brune.

MR. BRUNE: Just two quick questions. The need for the Audiovision needs to be in place by 2009, when we go digital -- is there a reason we need to do it now as opposed to a little later?

MS. BLAKE: Well, we need, by 2008, to have purchased the receivers that the customers use and have them preset for digital. We need to change our operating system. And we need new equipment. So we plan to do that in 2008 -- 2007 into 2008. And we could be using the digital now to provide more services. But we can use Channel 52 analog until that is accomplished.

MR. BRUNE: One other question. On your first priority -- the condenser pipes.

MS. BLAKE: Yes.

MR. BRUNE: There is a fund -- not terribly large -- but it's in Treasury -- department of -- what's called DPMC. Have you talked to them about your problem and whether they can help you with that from what existing funds they have?

MS. BLAKE: Yes, John Geniesse, from Property Management, has been contacted. We've been told that this is a priority. And I imagine you would see the same priority from Records Management, which is in the other half of the building.

MR. BRUNE: What I'm saying is, they are budgeted a small amount of money -- on the order of a million dollars or so -- to fix these kinds of needs in the Trenton area down here. Are you in the queue for that money, or is it a priority in the sense of getting new money?

MS. BLAKE: I don't know. We didn't have an answer. We were told it was a priority of theirs. But I don't know where the money would come from.

MR. BRUNE: If we could clarify that, that might be a help.

MS. BLAKE: Yes, I will do so.

MR. BRUNE: Thank you very much.

MS. MOLNAR: Any other--

Assemblyman Gregg.

ASSEMBLYMAN GREGG: Thank you, Madam Chair.

Just quickly, on the HVAC issue. I've never been to the Library, specifically. How big is it?

MS. BLAKE: I don't know the square footage off the top of my head.

ASSEMBLYMAN GREGG: Twenty thousand, 30,000, 50,000? The only reason I'm bring the topic up is, it's a fairly substantial amount of money for a repair of a HVAC unit.

ASSEMBLYMAN CRYAN: It's bigger than your restaurant, I can tell you that. (laughter)

ASSEMBLYMAN GREGG: Well, I'm sure it's bigger than my restaurant. The last time I spent $270,000 was when I bought it.

MS. BLAKE: Off the top of my head, I'm pretty sure it's over 20,000. We will get you the-- Through the Chair, we'll get you the exact square footage. Records Management is in half of the building. The Library takes up the other half of the building, with shipping departments and such in the rear.

ASSEMBLYMAN GREGG: The reason I ask, and through the Chair, is that it appears -- after my second physical meeting here -- that much of the capital questions we're getting deal with upgrading heating and air conditioning units that are old. I think at some point, if we're talking about capital investment, are we going to continue to R and M ourselves to death, or are we going to actually start looking at not only replacing units, but replacing units with tomorrow's technology -- geothermal, something that, ultimately, the State could be a leader in showing that we can do it better, differently -- as opposed to investing $300,000 in replacing plastic pipes? That's a lot of plastic pipe -- I mean, if that's really what it is.

And plastic pipe is new. It's not old. Copper preceded plastic. So when was the plastic put in? And was it appropriate or not appropriate? And getting back to my -- and it will stay as long as I'm on this Commission that-- Who did this? Who approved it? And do we have recourse to go back to the people who have given us substandard products in the past?

Plastic PVC piping, in a home today, when you talk to a contractor -- it's life expectancy is forever -- literally forever. Not like a copper pipe. It will never go bad. The seams will go bad. It will be around after U38 goes away -- uranium.

I wonder, is this a substandard product, not a substandard product? Is it old? Is it new? But, more importantly, if we're going to start investing hundreds of thousands of dollars, should we be looking at a heating system that could save us that over 10 years if we went to a different system?

You can either comment or not. It was just meant to be a comment.

MS. BLAKE: It is 20 years old. But we will check on the rest.

ASSEMBLYMAN CRYAN: Can I ask a quick question?

MS. MOLNAR: Yes, Assemblyman Cryan.

ASSEMBLYMAN CRYAN: Just a quick thing. The transition over to digital--

MS. BLAKE: Yes.

ASSEMBLYMAN CRYAN: It's -- $250,000 of the $360,000 is for the purchase of 1,200 Audiovision setup box receivers or radios.

MS. BLAKE: Yes.

ASSEMBLYMAN CRYAN: I don't know anything about this. Does that give you a capacity of 1,200 users at one time?

MS. BLAKE: We also stream over the Internet. And this is for-- What the receivers are for, are for our customers who cannot deal with the Internet, they cannot use the Internet. So those customers -- those 1,200 customers are in addition to those who receive the same service over the Internet. It's streamed.

ASSEMBLYMAN CRYAN: Where are the 1,200 customers? I mean, they're not all in the State Library at one time.

MS. BLAKE: Oh, no, they're at home. They're homebound.

ASSEMBLYMAN CRYAN: And they can feed in, so you can have a maximum of 1,200 at one time.

MS. BLAKE: With receivers. There are 1,200 people sitting in their homes with receivers that are pre-tuned to a station to listen to the newspapers. In addition to that, we have customers who get this over the Internet. It's streamed over the Internet. And they get it in their homes. They don't come to the Library for it.

ASSEMBLYMAN CRYAN: So the starting base is 1,200, plus those that use--

MS. BLAKE: Plus the Internet users.

ASSEMBLYMAN CRYAN: Thank you.

MS. MOLNAR: Assemblyman Gregg.

ASSEMBLYMAN GREGG: Does that mean that a person, like they would check out a book, check out a receiver?

MS. BLAKE: Yes. And we have 14 regional centers around the state where they can get their receivers. We can mail them the receivers. If they're broken, for any reason, they come back and we give them a substitute. We handle books on tape. We're handling about 6,000 mailings a day.

ASSEMBLYMAN GREGG: Do we charge them?

MS. BLAKE: No, we don't charge them.

ASSEMBLYMAN GREGG: Regardless of income status?

MS. BLAKE: Everyone is entitled to free library service somewhere in New Jersey. And this is their free library service. And the materials are coming from NLS, the National Library Service, which is paid for by Federal dollars.

ASSEMBLYMAN GREGG: Got you.

Thank you.

MS. MOLNAR: Any other questions or comments?

Mr. Lihvarcik.

MR. LIHVARCIK: Regarding Priority No. 1, have you been cited by the DCA for any electrical violations?

MS. BLAKE: Not to my knowledge.

MR. LIHVARCIK: Thank you.

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

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

MS. BLAKE: Thank you very much.

MS. MOLNAR: Our next department is the Department of Education. I'd like to welcome Barbara Gantwerk, Acting Assistant Commissioner.

Good morning.

Could you introduce your staff?

ACTING ASST. COMM. BARBARA GANTWERK: Madam Chair, members of the Commission, good morning and thank you for the opportunity to testify about the Department of Education's Fiscal Year 2007 capital budget request.

I'm Barbara Gantwerk, and I'm the Acting Assistant Commissioner for the Division of Student Services. I would also like to introduce my colleagues from the Department of Education: David Corso, from the Office of Administration; and Dennis Russell, Superintendent of the Katzenbach School for the Deaf.

Our Department's funding requests are in two areas, the Regional Day Schools for children with disabilities and the Marie H. Katzenbach School for the Deaf.

At the outset, I would like to publicly thank Thor Woronczuk for his assistance and advice in preparing this budget request. His continued support has been greatly appreciated.

There are four priority projects that we consider critical to the maintenance of the buildings and to the health, safety, and well being of the students who use them. Our total request is for $2,864,000. We have carefully reviewed all requests and have included only the most essential projects for your consideration. Although I am aware of the severe constraints on funding for capital projects, I can say that each of the projects we are proposing is essential and merits your serious consideration and full support.

The Department of Education is required by law to operate 10 Regional Day Schools, located in nine counties throughout the state. At this time, all of the schools are operated by local education agencies under contract with the Department. Operating expenses are generated entirely through tuition charged to local districts that send students to the Regional Day Schools.

Most of our buildings are approximately 25 years old, and we are beginning to see a pattern of need for replacement of key structural building units.

The Department is requesting funding for one project at the Piscataway Regional Day School for the installation of a fire suppression system. We are requesting $500,000. The State's insurance carrier recommended that a fire suppression system be installed. This recommendation was based on inspection by the carrier and is in accordance with the State's loss prevention plan.

The Katzenbach School for the Deaf provides facilities for educational, vocational, and residential programs for deaf and hard of hearing students. Many of the students have additional disabilities which further compound their needs. The campus is composed of 31 State-owned buildings. The Department is requesting funding for three projects at the School, totaling $2,364,000. Priorities 2, 3, and 4 reflect the current capital construction needs at Katzenbach.

Priority 2 requests $1,600,000 to upgrade the fire alarm system. The current system is inadequate and fragmented. There are numerous false alarms. The school engaged the services of STV Incorporated to conduct a study of the system. As a result of the study, we are requesting $1,600,000 for Phase 1 and Phase 2 of the upgrade.

Priority 3 requests $350,000 to install fire strobes in sections of various buildings that do not currently have them, such as bathrooms, as well as replace strobes that are currently not in compliance with ADA requirements. The installation and replacement of the new fire strobes will be done in conjunction with the upgrade of the fire alarm system.

Priority 4 requests $414,000 for the removal of asbestos floor tiles in various buildings throughout the campus. This request is based on a comprehensive review of all buildings on the campus and is being done in accordance with the schools AHERA plan.

Thank you for your consideration of our requests. Your continued support is very much appreciated. We will be glad to respond to any questions which you may have.

MS. MOLNAR: Thank you very much.

Any questions or comments?

Mr. Brune.

MR. BRUNE: On the fire suppression system-- Just so I understand, this is sort of like a seven-year effort that you've got going. It's over time. This is not the only facility that lacks those, correct, Dave?

D A V I D C O R S O: Yes, that's correct.

MR. BRUNE: And what is in place, as I understand, is a partial system. So you're looking to put in something that's wherever the students are throughout the building.

MR. CORSO: That's correct. The partial systems are in the boiler areas and any area where there's combustible-- And that was done when they built the buildings, in terms of code compliance. So we're asking to put these systems throughout the rest of the school.

MR. BRUNE: Have we been cited by DCA, or is this just something we're trying to get ahead of?

MR. CORSO: No, we haven't been cited by anybody. This is in conjunction with the loss prevention plan, through the State's insurance carrier. They came through each one of the schools and said, "We'd like you to have a fire suppression system in each of the schools to preserve -- for preservation purposes."

MR. BRUNE: Just as a curiosity question, why would you have a school without a suppression system? It's just--

MR. CORSO: It's not required, unless there's a residential component. For example, about five or six years ago, as a result of the Seton Hall dorm fires, money was appropriated. And the majority of the Katzenbach -- well, all of the Katzenbach facilities where students are -- live, reside -- are fire suppressed. But in regular classroom settings, there's not a requirement for a suppression system.

MR. BRUNE: Okay.

Just a quick one on Katzenbach. Can you tell me how old the system is that's in place? It says the system is rather old. How old is the system?

DENNIS P. RUSSELL: I know it's at least 10 years old. But I've only been there three years. And it was old when I got there.

MR. CORSO: It's about 20 years old, Gary.

MR. BRUNE: The confusing part for me, a little bit, was we're trying to bite off the first two priorities and leave the other two, presumably, for some future year?

MR. CORSO: Yes. Well, for next year.

MR. BRUNE: And just so I understand, how is it that we need to do the first two? It is a little confusing when you read the consultant's report about-- What is it about the first two that it has to be done?

MR. CORSO: The priority that they set out in the report is to have the front end of the system done, and then have all the connections made into that. That would be, really, the first two priorities.

MR. BRUNE: So the connections would follow later? Is that what you're saying?

MR. CORSO: Right, from the outlying buildings.

MR. BRUNE: From the outlying buildings.

Thank you.

MS. MOLNAR: Any other--

Assemblyman Gregg.

ASSEMBLYMAN GREGG: This is a great Commission. I keep learning things all the time. It's fabulous.

You mentioned something that was crossing my mind with somebody else who testified earlier today. Through the Chair, you mentioned that one of the reasons for the fire suppression enhanced system is because the insurance carriers of the State made a recommendation.

MR. CORSO: Yes, that is correct.

ASSEMBLYMAN GREGG: So the State of New Jersey uses insurance carriers?

MR. CORSO: FM Global is the name of the company.

ASSEMBLYMAN GREGG: So we're not completely self-insured? I mean, I don't know the answer to this. Eleven years in the Legislature, I assumed, most of the time, we were self-insured.

MR. ROUSSEAU: It may be that we go to those entities for recommendations to help keep our loss prevention costs down. But, again, I believe we are almost self-insured for everything. We'll check that for you.

ASSEMBLYMAN GREGG: The reason I--

MR. ROUSSEAU: But it could be that we go to them for advice on what can we do to minimize our loss prevention costs. That could be what it is. But we'll find that out for you.

ASSEMBLYMAN GREGG: Dave, that might make--

MR. ROTH: Gary (*sic*), since we're talking about ifs in the situation, it might also be that you have catastrophic insurance above a certain deductible -- a million, two million, three million dollars.

MR. ROUSSEAU: We'll find that out for you.

ASSEMBLYMAN GREGG: The reason I brought it up more was because I keep hearing water infiltration issues. And we've had a lot of losses. And if we really have an insurance carrier, we should be going to the insurance carrier. So I lean more towards your theory.

Is that correct? Could you give us any light on that? That, actually, it was a consulting opinion, as opposed to an opinion of someone who actually would pay a claim.

MR. CORSO: I think Dave is the most appropriate person to answer that. I know that FM Global is probably hired by the State to come in and do loss prevention analysis. And, in fact, they're the ones that actually sent us, as the owner of these buildings, the recommendation.

ASSEMBLYMAN GREGG: Thank you.

I guess-- I'm looking at your priorities, and I'm kind of intrigued that you would be putting fire suppression in front of strobe lights, only because fire suppression systems are clearly property protection. They're not people protection. That's what they're designed to do. And that's why someone would give you an opinion, if you want to protect your furniture, and you're equipment, and things of that nature, that would be a good idea in the event that there's a fire. The people better be out of the building long before that happens. Having some water sprinkled on their head isn't going to help them. So, in this case in the school-- I would assume that's why schools are not required to have fire suppression systems, because, one, there's no residential component-- And, quite frankly, any other investment would be more important. So I would be thinking about the school specifically saying notification to the students, through the strobe light, would be a far better priority than enacting a requirement -- not a requirement -- enacting a capital improvement that is not required by DCA.

You can comment on that if you wish.

ACTING ASSISTANT COMMISSIONER GANTWERK: Strobes are clearly, as you said, critical to get the students out.

ASSEMBLYMAN GREGG: But they're behind in your priorities. I'm just looking at the document you submitted to us.

MR. CORSO: We most certainly would consider reshuffling the priorities, based on your comments.

ASSEMBLYMAN GREGG: Thank you. I appreciate your time.

MS. MOLNAR: Thank you.

Great idea.

Any other questions or comments?

Mr. Lihvarcik.

MR. LIHVARCIK: Good morning.

The only question I have is that on the asbestos abatement, have you checked with DPMC, Dave, for the availability of funding?

MR. CORSO: Actually, Thor was helping us with that. He's on top of that with us.

MR. LIHVARCIK: Thank you. I knew he would be.

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

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

Now, our meeting next week is in a new location. I think we're fortunate enough to have the old State Museum, I believe downstairs, on the first level. This room is being used by someone else. So, next week, we'll meet downstairs.

Is there any other business? (no response)

If not, you should be receiving your packets shortly for next Friday.

Thank you.

Meeting adjourned.

(MEETING CONCLUDED)