

Commission Meeting

of

NEW JERSEY COMMISSION ON CAPITAL BUDGETING AND PLANNING

LOCATION: Committee Room 9
State House Annex
Trenton, New Jersey

DATE: December 7, 2001
10:00 a.m.

MEMBERS OF COMMISSION PRESENT:

B. Carol Molnar, Chairwoman

Anthony F. Annese, Vice-Chair

Assemblywoman Barbara Buono

Gary Brune

Robert A. Roth

Edward Troy

ALSO PRESENT:

Beth Schermerhorn
(representing Assemblyman Francis J. Blee)

Gail Alexander
(representing Peter Lawrence)

John Geniesse, Acting Executive Director
New Jersey Commission on Capital Budgeting and Planning



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B. CAROL MOLNAR (Chairwoman): 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 time, date, and location. The notice has been filed at least 48 hours in advance, by mail and/or fax, to *The Trenton Times* and *The Star-Ledger* and filed with the Office of the Secretary of State.

We'll now take a roll call.

MR. GENIESSE (Acting Executive Director): Mr. Brune.

MR. BRUNE: Here.

MR. GENIESSE: Mr. Annese.

MR. ANNESE: Here.

MR. GENIESSE: Mr. Roth.

MR. ROTH: Here.

MR. GENIESSE: Senator Littell. (no response)

Senator Kenny. (no response)

Ms. Schermerhorn, for Assemblyman Blee.

MS. SCHERMERHORN: Here.

MR. GENIESSE: Assemblywoman Buono. (no response)

Ms. Alexander, for Treasurer Lawrence.

MS. ALEXANDER: Here.

MR. GENIESSE: Mr. Troy.

MR. TROY: Here.

MR. GENIESSE: Mr. Angarone. (no response)

Ms. Molnar.

MS. MOLNAR: Here.

MR. GENIESSE: Madam Chair, we have seven members, or their representatives, present. That is a quorum to conduct the meeting. We are awaiting the arrival of Assemblywoman Buono who will give us a quorum, in terms of voting on the recommendations.

MS. MOLNAR: Thank you.

I'd like you all to join me in The Pledge of Allegiance.

(Participants recite The Pledge of Allegiance)

Could we have a moment of silence, today is Pearl Harbor Day, 60 years, to remember our veterans and to remember the World Trade Center victims.

(moment of silence observed by participants)

Thank you and God Bless America.

Our next item is the Executive Director's Report, which we will defer until after Item 5. The next item is the Debt Report. From the Office of Public Finance, I'd like to welcome Jim Poole.

J A M E S P O O L E: Thank you, Madam Chairman. With me, to my right, is Jim Petrino, from my office. Good morning members.

You have before you the State's Annual Debt Report. I only have a few comments and then I'll take any questions that you may have on the report. Most of what people look at in this report are Tabs D and E. Tab D will show you, as of June 30, 2001 -- over on the left hand side is a column headed "The Outstanding Debt" and the columns before that is the debt service we pay on that debt from 2001 through 2007. So the total outstanding debt was 15. The total bonded outstanding debt was \$15.1 billion, as of June 30, 2001.

Tab E takes that \$15.1 billion, or \$15.2 billion, and reconciles it down to what you will see in the CAFR, or the State's Certified Annual Financial Report, as \$16.1 billion. So some bonded debt is not -- that we list on Tab E is not included in the CAFR. Those five deals are underneath that. Plus there is bond -- there is debt that is not bonded debt, which consists of accumulated sick and vacation, health benefits and Medicaid, and some loans payable. So the total debt for the State of New Jersey, total long-term debt for the State of New Jersey, as of June 30, 2001, that you'll see in the CAFR, which is due out very shortly, is \$16.181 billion, an increase of about \$300 million to \$400 million from the prior year.

That's pretty much my opening statement. I know it's a lengthy report. I don't know how much people have looked at it, but I'd be, at this time, willing to take any questions that any member of the Committee (*sic*) may have.

MS. MOLNAR: Thank you.

I have one question. Tab B, your "Financial Goals --"

MR. POOLE: Yes.

MS. MOLNAR: In light of the fiscal changes in the economy, etc., you still feel comfortable with these goals?

MR. POOLE: Yes. I mean, I think the budgets that have been constructed in the last two to three years -- and you'll notice that the total increase in bonded debt, for June 30, 2001, was about, I think, less than \$100 million. I think part of that reason is the massive amounts of pay-as-you-go capital that was included in both the '01 and the '02 budget.

Maintaining or enhancing the State's credit rating, I haven't been through a year with the rating agencies where we haven't made the case as to why we shouldn't either maintain or enhance. I don't think we're in any danger of any adverse reaction.

The prudent use of debt and pay-as-you-go and minimizing that, yes, I'd be totally comfortable with that.

MS. MOLNAR: Okay. Thank you.

Any other questions or comments?

Mr. Roth.

MR. ROTH: Good morning.

MR. POOLE: Good morning.

MR. ROTH: On Tab D2 there is an item which we've discussed at prior meetings. I'd just like to know the status of where it stands right now, the State Pension Funding, with \$2.788 billion.

MR. POOLE: Correct.

MR. ROTH: How is this working out? If my recollection serves me, the bonds were to be paid down from the proceeds of the investments.

MR. POOLE: No, that is --

MR. ROTH: To some extent, no?

MR. POOLE: No, the money -- back in 1997, when the State issued the pension obligation bonds, the money was deposited directly into the pension system. Once inside the pension system, both the principle and any interest and any investment return from that would retain within the pension system. That is due to Federal law.

MR. ROTH: And it's because it's in the pension system earning that income -- that there haven't been any -- as a matter of fact, the local levels, the VERS payments, have been eliminated for the last couple of years or, as I understand, they are going to continue to be eliminated.

MR. POOLE: Correct. I mean, having that money in there -- in 1997 through to the latest actuarial report, which I believe is of March '01 actuarial report, has been a benefit not only to the State, but to also the municipalities where there is enough money in the system. Even based on what has happened over the last 18 months, where the -- all of the contributors to the system have not had to make pension payments. Correct.

MR. ROTH: Thank you.

MS. MOLNAR: Any other questions or comments?

Mr. Troy.

MR. TROY: Jim, good morning.

MR. POOLE: Good morning.

MR. TROY: I have a question regarding, I guess it's Schedule D, the increase in the capital leases. It looks like about a \$36 million increase. Could you explain that, please?

MR. POOLE: That -- it shows up in Tab D, but also in Tab M. This has always been a concern of the boards, and I think, rightly so. The last two years I have brought the -- Dick Bruno, who's a CPA that works at OMB, who actually prepares this table for us, for my office, I should say. Unfortunately, he wasn't here -- wasn't available for today.

At this point, I turn it over to John Geniesse. I mean, capital leases is outside of the realm of my direct office. And my understanding is

there was an accounting change as to how these are recorded this year from last year. I have a concern that if you turn to Tab M, the imputed interest rate, based on the core amount, looks awfully high also.

I just can't get an answer as to -- I know we've been through this for a couple of years and trying to dig down to get the answer as to why these are increasing. And why it looks like -- and again, it looks like there is a high interest rate. It's really an OMB question, and I apologize that nobody from OMB is available.

MR. GENIESSE: Yes, and I'll try to respond a little bit. I don't know if you've been here at past meetings where we've had this discussion the past two or three years. The appearance of these leases in the Debt Report is required by a Financial Account and Standards Board requirement.

When a lease is equal to -- excuse me, the present value of the minimum lease payments, at the exception of the lease, equals at least 90 percent of fair value of the leased property. There are primarily long-term leases that the State has entered into, most of which the intention is not for the State to purchase the property. And so -- but there is an imputed rate of interest which becomes quite high because of the length of the lease compared to the fair market value of the property.

I did not get a chance to talk to Mr. Bruno about -- I think this list is larger than last year.

J A M E S P E T R I N O: That's correct.

MR. GENIESSE: And I can only speculate that more of these properties met that requirement this year than the previous year, due to the nature of the lease.

But also just to inform you, last year, Mr. Roth had asked that we at least express the Commission's concern, in terms of these leases. And we did write a letter to the State Leasing Utilization Committee -- I think you've got a copy of that recently -- expressing that concern. And I've had the opportunity to speak to staff in the Division of Property Management and Construction, as far as their processes in terms of space planning. I've gotten assurances that they do go through a fairly rigorous process in making the decision as to whether to lease or to purchase a property for State use. And in response to our letter, I've also spoken to the Deputy Director of Office of Management and Budget, Bob Peden, who actually represents the Treasury on the State Leasing Utilization Committee, and he is very aware of the Commission's concerns and certainly will take those into consideration.

So I guess that is about as much as I can say about it. I think we've -- the Commission has tried to address it as best they can.

MR. TROY: Okay.

May I follow up with another question?

MS. MOLNAR: Sure.

MR. TROY: Jim, I guess it's back in Schedule F, or whatnot, but basically the statement is that the debt per capita in the State of New Jersey now is, I believe, \$1935 a person per capita, based on, I guess, about 8.4 million people. How does that rank with the other states?

MR. POOLE: Well, as you can see, we rank fourth in the nation. Excuse me, fifth in the nation. So there are only four states with more debt per capita. The rankings are put out by Moody's Investors Service, who's one of the three rating agencies. If you look at any of the credit reports for the State

of New Jersey that have come out, either by Fitch or S & P or Moody's, they represent that our debt is growing, but that the State has the financial wherewithal because we are, depending on who you talk to, either the wealthiest state in the nation or the second wealthiest state in the nation.

So they don't have a concern with the debt levels as they stand right now. You know, we are a double A-plus by all three, which is the second highest rating. And the debt load is one of the factors that goes into the ratings for the states.

MR. TROY: May I follow up?

MS. MOLNAR: Yes.

MR. TROY: In following up on your discussion, I noticed that, you know, the GO Bonds going out into '02, '03, '04 -- we're doing, you know, \$300 million. Three hundred million dollars in '03, three hundred million dollars '04. Is that of concern? I mean, as of today there's caution. But is this extra bonding going out, in terms of GO Bonds? Is that in any way a concern?

MR. POOLE: The GO Bond is not really a concern. That's about how much principle we're paying off every year. In GO Bonds, the \$3 billion for outstanding GO bonds that you see really hasn't changed if you just take that line and subtract it over the last five or six years. It really has not changed more than \$100 million. We pay off \$300 million, we put on \$300 million.

You know, you will see similar things happen in both TTFA in a couple of years. As a program matures, you get to a level where you're putting on what you take off. So it's -- at least for GO, no, it's not a concern. And again, I think, the bonded debt only went up about \$60 million last year. That

includes the new issuance of school construction, at 500, and some educational capital improvement funds, at 278.

MR. TROY: Okay.

Last question. Jim, in terms of taking advantage of interest rates now and bonds that can be called, what exactly is going on, in terms of bonds being called or trying to refinance the debt at this point?

MR. POOLE: Okay. Thank you. Since June 30th, the State has refunded \$600 million of GO Bonds. All of this is due to favorable interest rates. So we've refunded \$600 million of GO Bonds that will produce a savings, a one-time savings, in the '02 budget of about \$27 million. We've refunded \$400 million of some bonds we've had with EDA, called the Market Transition Facility Bonds, which produced again a onetime savings of about \$15 million. And actually, next week we're planning and have papers in the market for about a \$1 billion, \$1.3 billion, sale refunding of the Transportation Trust Fund. The latest numbers I saw this morning showed about a \$40 million to \$50 million onetime savings for '03.

So since June 30th, including next week's sale, you are talking somewhere around \$2 billion of refundings. I mean, our office tracks all of this. There are additional smaller sales for smaller amounts of savings out there, but these were the big three that we wanted to get into the market quickly.

MR. TROY: Okay. Thank you.

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

If not, I believe I need a motion for the Commission to accept the Debt Report. Do I hear a motion to accept the Debt Report?

MR. ROTH: I'll make that motion, but do we have a voting quorum on this here?

MS. MOLNAR: Yes, Assemblywoman Buono has arrived so we now have a quorum.

ASSEMBLYWOMAN BUONO: Good thing.

MS. MOLNAR: Welcome.

MR. TROY: Second.

MS. MOLNAR: Okay.

Any discussion? (no response)

If not, we'll take a roll call.

MR. GENIESSE: Yes.

MS. MOLNAR: We're going to vote.

MR. GENIESSE: Mr. Brune.

MR. BRUNE: Yes.

MR. GENIESSE: Mr. Annese.

MR. ANNESE: Yes.

MR. GENIESSE: Mr. Roth.

MR. ROTH: Yes.

MR. GENIESSE: Assemblywoman Buono.

ASSEMBLYWOMAN BUONO: Yes.

MR. GENIESSE: Ms. Alexander.

MS. ALEXANDER: Yes.

MR. GENIESSE: Mr. Troy.

MR. TROY: Yes.

MR. GENIESSE: Ms. Molnar.

MS. MOLNAR: Yes.

MR. GENIESSE: Madam Chair, seven votes in the affirmative.

The motion is carried.

MS. MOLNAR: Thank you.

MR. POOLE: Thank you, very much.

MS. MOLNAR: And thank you, Jim, and your staff.

We will now do the Executive Director's Report.

MR. GENIESSE: Thank you, Madam Chair.

I'd like to start off my report just by -- with apologies. The staff -- at the last meeting, it was requested that the staff try to research the State's Record Retention Law. We have not had the opportunity to do that yet. So I apologize for that. We will follow up on that and if the Commission desires, draft a letter. I believe there was some sentiment to drafting a letter recommending the Legislature to consider amending the law to maximize the use of technology and reduce paper storage. So we will follow up on that.

I'd like to call the attention of Commission members, two corrections to narratives contained in the capital recommendations to the Commission, which is this document here, which goes through each department. It's 39 pages. On page 12 of 39, which is in the Department of Human Services narrative, in the second paragraph, under Commission Staff Recommendations -- and I might add, these corrections do not affect the staff's recommendations, but there is a paragraph in there which indicates a recommendation for the replacement of drop ceilings at various facilities. That is not a recommendation of the staff to the Commission. So that paragraph should not have been in that particular place.

And on page 26, Higher Education Institutions, in the first paragraph -- and this is really just to correct a description here -- the second sentence rather than based on a formula, which takes a percentage of the value of gross square footage to get its recommendation -- this is the Commission on Higher Education -- the Commission recommends an annual State appropriation of at least 2 percent of replacement costs. We were using an old basis that they had utilized in prior years. So I want to make that correction, 2 percent of replacement costs, which yielded the \$72.6 million request that they had made.

I just like to speak briefly about the overall capital request and staff recommendations. To put things in context, a year ago, December, the Commission recommended nearly \$1.3 billion of capital funding for Fiscal Year 2002. In January, the Governor's budget recommended slightly less than \$1.2 billion. Due to the beginning downturn in the economy in the spring of 2001 and its effect on State revenues, the Legislature appropriated only \$1.064 billion for capital in the Fiscal Year 2002 Appropriations Act.

Making its recommendations for Fiscal Year 2003, the staff was very mindful of the continuing economic slowdown and Commission members' concerns that the recommendations reflect the fiscal constraints that the State must face in the coming budget.

Accordingly, for Fiscal 2003, in addition to recommending those programs supported by dedicated funding sources, and that would include the Transportation Trust Fund, Open Space Preservation, Shore Protection, and the Private and Underground Storage Tank and Hazardous Waste Cleanup Programs, the staff has primarily focused its recommendations on those capital

requests that addressed an urgent health or life safety need; addressed the heightened security needs, as a result of the September terror attacks; enabled compliance with a Federal mandate; or allowed the State to take advantage of Federal matching funds. As a result, the staff has recommended total funding of \$1.1 billion. This is almost \$200 million less than what was recommended by the Commission last year. And of this, \$1.040 billion represents funding from dedicated sources. So only \$61 million of the staff's recommendations represents what we would call discretionary capital projects. And in comparison, again, last year, the Commission recommended over \$300 million of discretionary capital projects.

The current budget that we have, which is much reduced, has \$110 million of discretionary capital funding in it, although more than half of that has recently been put into reserve due to current spending constraints.

We continue to practice recommending funding for asbestos abatement and hazardous material removal projects, Americans with Disabilities compliance projects, and underground storage tank removal and upgrade projects from the Central Accounts in the Interdepartmental area of the budget. The Division of Property Management and Construction requests amounts for these three items on behalf of all State agencies, at times duplicated the agencies request. So the staff recommends that these requests be prioritized for funding from the Central Accounts.

We have provided the same briefing materials that the Commission members received to both the Council on Economic Advisors and the State Planning Commission for them to provide any comments on the requests or recommendations. Subsequent to this, the Commission's

recommendations will be forwarded to both the Governor and the Legislature and will be compiled and published in a Seven Year Capital Plan.

I would like to conclude by commending the Capital Planning staff, as well as the other contributing staff of OMB, for their hard work and expert analysis in putting together these recommendations.

Madam Chair, that concludes my report.

MS. MOLNAR: Thank you.

ASSEMBLYWOMAN BUONO: Mr. Chairman, may I make a comment?

MS. MOLNAR: Yes.

ASSEMBLYWOMAN BUONO: I appreciate your comments and the hard work that the Commission has obviously dedicated towards this process; however, considering that we currently have a \$2 billion shortfall in the current Fiscal Year and are expecting, or projecting, by some estimates, a \$3.7 billion deficit in the upcoming Fiscal Year, I quite frankly don't think that we should be approving anything today but constitutionally dedicated items and perhaps setting aside in a central pot in the Department of Treasury an amount to address public health, safety, and emergency matters in the amount of, I don't know, \$15 million.

I don't know if anybody would like to discuss that. I'd certainly be open to discussing that amount, but I'd like to suggest that and see if any of the other Commission members have thoughts and perhaps make a motion on that.

MS. MOLNAR: Thank you. That's a very interesting concept.

Do I have -- are there any comments?

Ms. Alexander.

MS. ALEXANDER: I just have a quick -- one question. On what basis would the Treasurer's Office determine the priority of the projects? Would it be based on these recommendations as an analysis from OMB or would it -- I'm just not clear on that.

ASSEMBLYWOMAN BUONO: Well, I know that after we make our recommendations, the Office of Treasury still has a lot of discretion, in terms of priorities. In fact, they often come up with different priorities. So I think that is something that would be certainly open to discussion. I would like to adhere to the priorities that we had established, that this Commission's established, but I would certainly defer to the Treasury Department's expertise in this matter as well.

MS. ALEXANDER: Okay.

MS. MOLNAR: Okay.

Mr. Troy.

MR. TROY: Assemblywoman, I totally agree with where you're coming from here. Being with government now 26 years, obviously we are on the brink of some very serious financial considerations. And I think the Commission here and the staff -- and I know through our discussions that we've tried to zero in on the fact that this is not going to be just another year, where even though these needs are out there, that we can just recommend and then leave it to the Legislature or someone else to make those real tough decisions. But I will tell you, and at one time, working on the other side of this table, I think the Commission staff did a pretty good job, in terms of trying to zero in. One of the things that, you know, I throw out is there's a

consideration -- you know, what kind of funding is left over from prior years. If the departments are sitting on balances now and they have not been allocated towards specific projects, maybe that's a way that they can address some fire/safety issues or reallocate funding. I believe with carry forward balances and language they would be permitted to do that.

I certainly have no problem with your approach, in terms of centralizing because in my review of the documents, I've tried to zero in on fire, safety, ADA requirements, and also anything whereby not addressing an issue it's going to cost us more in operating funds later on down the line. So I'm certainly open to that. I don't know what the mechanics would be, but I'm sure the Treasury's fiscal gurus could figure something out here, and I'd certainly support your concept.

MS. MOLNAR: Thank you.

ASSEMBLYWOMAN BUONO: I'd like to make a motion Mr. Chair.

MS. MOLNAR: I have one comment though. I was on the Commission in 1990 when we were in a recession and there were a couple of years where there was zero money for capital, but every year this Commission still went through the priorities and did try to prioritize and give Treasury some assistance on how we would spend the money if something was allocated. So somehow I'd like to work that into the system.

Do you want to make a motion, so we can talk about your motion?

ASSEMBLYWOMAN BUONO: Well, I'd like make a motion to set aside \$15 million in a central pot in the Department of Treasury to address public safety, emergency -- public health and safety concerns and emergency

matters to begin with. I mean, I don't know how complex you want the motion to be, in terms of -- not voting --

MS. MOLNAR: And to be determined by Treasury.

ASSEMBLYWOMAN BUONO: Yes.

MS. MOLNAR: Priority to be determined by Treasury.

MR. BRUNE: Madam Chair, I'd like to just make a quick point.

MS. MOLNAR: Mr. Brune.

MR. BRUNE: As a way of possibly rationalizing the number, I think there are instances in here, in the first brush, where we tried to weigh out the \$60 million in discretionary money where you may in fact lose Federal money as well if we would not put up the discretionary. I'm just wondering whether the motion might -- whether as we go through the departments, we might highlight where the \$60 million shows up and make a kind of mental calculation. So that at the end, you could maybe make a better determination whether it's \$15 million or some other number that covers the critical life safety. And if the Commission decides, doesn't lose any Federal money as well because there's a couple of concerns that are not just life safety here.

I was wondering whether that decision is better made on the back end, just as an idea.

MS. MOLNAR: I believe DM -- Department of Military Affairs -- there are some matching dollars.

I believe we used to vote on each department. To keep track, as you're suggesting, we probably couldn't vote on each department until the very end.

MR. BRUNE: Okay.

MR. GENIESSE: Madam Chair, as we -- if the Commission wants to go through department by department, staff can point out the instances, where Mr. Brune has suggested, whether there is some Federal matching funding that might be involved.

MS. MOLNAR: Also point out safety ones also.

MR. GENIESSE: Sure.

MS. MOLNAR: And then that way we could see if it exceeds the \$15 million.

One question, Assemblywoman Buono. How did you determine \$15 million?

ASSEMBLYWOMAN BUONO: Talking to some folks that have really studied it and had a better handle on that aspect of it than myself, quite frankly. So I'm completely open to readdressing it, which I stated initially in my comments.

MS. MOLNAR: Okay.

Any other feelings from the other Commission members on how to proceed from the go to? (no response)

Did the departments point out where there are matching funds and life and safety items? (no response)

Department by department, and then decide at the end whether we would do the lump sum in Treasury or whether we'd vote on the individual items, etc.. Agreeable with everybody?

MR. TROY: Yes.

ASSEMBLYWOMAN BUONO: That's acceptable to me.

MS. MOLNAR: Mr. Roth? Mr. Annese? (no response)

Okay.

Our first department would be Agriculture. Okay, Agriculture. There's no matching, there's no life safety issues. So that would be zero.

MR. TROY: Madam Chair, that was a very easy recommendation to vote on. I guess we're moving right along here.

MS. MOLNAR: All right. Now the Department of Corrections.

MR. GENIESSE: Do we want to take -- I think we need to take a vote. We usually take a roll call vote on each department.

MS. MOLNAR: But I thought we weren't going to do that because --

MR. GENIESSE: Okay. I'm sorry. I didn't fully understand.

MS. MOLNAR: We can't do that at this point.

MR. GENIESSE: Fine. I understand.

MR. ROTH: (speaking off microphone) I think on the zero we can.

MS. MOLNAR: I guess maybe zero -- you're right. With zero we could vote on it. We would have two ways of handling departments. I'm not sure --

MR. BRUNE: You could just hold on advance, I guess, the one's --

MS. MOLNAR: All right.

MR. GENIESSE: Yes.

MS. MOLNAR: Okay, the next department is the Department of Corrections.

MR. GENIESSE: Madam Chair, for the Department of Corrections, the recommendation, which is for critical repairs and fire safety

code compliance, these would fall under the category of what the staff would consider to be life safety type needs.

MS. MOLNAR: Okay, \$4.568 million.

MR. GENIESSE: The staff, in making its recommendation, tried to pick the most urgent needs and took into account balances that were still available to the Department for some of these needs.

MS. MOLNAR: Could any of the critical repairs be deferred at all?

MR. TROY: Madam Chair, is the Department here? Corrections.

MS. MOLNAR: Yes, I believe they are.

MR. TROY: Can we maybe ask them to -- because I also see the \$12 million balance, in terms of uncommitted dollars of which \$6.6 million is for fire safety, roof replacements.

MS. MOLNAR: All right. I'd like to ask Corrections to join us.

Good morning, could you state your name for us, for the stenographers.

A S S T . C O M M I S S I O N E R R I C H A R D J . W A L D I S :
Good morning, Madam Chairman. My name is Richard Waldis, I'm the Assistant Commissioner for Administration with the Department of Corrections. And good morning to the Committee (*sic*) members. To my left is Mr. Robert Worden, who's our Capital Budget Analyst.

MS. MOLNAR: Okay, Ed, do you want to repeat your concern?

MR. TROY: Yes.

Good morning, Dick.

ASSISTANT COMMISSIONER WALDIS: Good morning.

MR. TROY: According to the Commission staff, there's \$12.2 million of uncommitted balances. I'm presuming it's from prior Fiscal Years as well, of which about \$6.6 million seems to be for fire safety and about \$2.7 million for roof replacements. I guess for us to get a better handle of whether we should really be recommending, perspective, could you give us a status of those funds? And could they in any way be reallocated to meet your priorities for '03?

R O B E R T J. W O R D E N: Good morning.

With regard to the fire safety program, they are for approximately \$6.8 million unappropriated; however, they are earmarked for projects that at the present time are at the Office of Construction Services either in scope of work, schematic design, final design. Of those, about \$5.6 million of that is dedicated for those projects. It just hasn't been requisitioned out because they're still scoping work preparation or schematic design of those projects.

MR. TROY: So \$1 million is basically uncommitted, in terms of money not in projects --

MR. WORDEN: At the present time.

MR. TROY: At present.

MR. WORDEN: You have to understand we're talking about five or six projects that are having scopes work repair. As designs are fine-tuned we'd possibly need that money for cost increases. That's pretty much why we keep the money back until we get to the point where we're ready to go to bid and we then forward the money to OCS.

MR. TROY: In terms of your roof replacements and the line item for critical repairs, is this -- this is not part of the \$6.6 million? This is in addition? Could you comment on the status of those funds?

MR. WORDEN: As far as the critical repairs, I'll give the specifics right now. I couldn't -- the roofs -- once again, we have projects at OCS. I don't have the totals here in front of me of what they are right now, but we do have two or three projects at the Office of Construction Services. I could get back, through the Chair, to the Committee, what those numbers are, but I don't have those right now in front of me.

MR. TROY: But the \$1.1 million for critical repairs has not been specifically earmarked for any specific projects at this time?

MR. WORDEN: No, it has. You're talking about the \$1.1 million balance?

MR. TROY: Yes.

MR. WORDEN: Once again, there are projects at the Office of Construction Services for transformer replacements at a number of institutions, electrical service updates at a number of institutions including emergency generators. One in particular is the East Jersey State Prison, which is approximately \$600,000. I'd have to defer to Mr. Barbo.

J A M E S F. B A R B O: (speaking from audience) Yes.

MR. WORDEN: It's approximately \$600,000. So once again, there may be some funding of discretionary funding available but not a significant amount.

MR. TROY: Okay

MS. MOLNAR: Mr. Troy, would you change any of these recommendations in light of that?

MR. TROY: Madam Chair, actually, based on -- I don't know how far along these projects are. And there's always a consideration of how much a department has on their plate and what they can handle. The emergent nature of -- you know, it says critical repairs. I don't want to comment on how critical is critical. I mean, that's obviously up to the departments and they've listed out, you know, many projects.

Considering that the balances are there, I mean, and again, asking the department to come up, I'd want to take a mix of maybe the uncommitted dollars. Would they be reshuffled, or are they already in progress? And couple that with their request, and I would be open-minded to making a recommendation. And again, making that recommendation based on what Assemblywoman Buono said: to centralize it for emergency, critical repairs, if that's the nature of this recommendation.

MS. MOLNAR: Would anyone be in favor of just including the first item, fire safety code compliance, \$2.7 million, for Corrections? Or are you all amiable to including both items? The two together would be \$4.568 million.

MR. ROTH: Madam Chair.

MS. MOLNAR: Mr. Roth.

MR. ROTH: I believe we're looking at uncommitted \$1 million in the fire safety that hasn't been dedicated and about, what, \$600,000 in critical repairs that hasn't been dedicated from prior years. So I would make

a recommendation that we consider no more than \$2.9 million, at this point, overall. Then, reallocate within those two categories based upon that amount.

MS. MOLNAR: Okay. So you would probably put in about \$1.7 million in fire safety in the balance and \$1.2 million in critical repairs.

MR. ROTH: However the allocation works out. I don't have a calculator.

I think it has to be more than just a formula. It really has to be determined -- you know, they have a total pie and one of the most -- what are the most critical projects that have to be done within that pie. I don't think we could just do a formula. Someone's going to have to take look at it at a more detailed level than we're looking at.

MS. MOLNAR: All right. So for the lump sum amount that we're trying to compute, \$2.9 million --

MR. ROTH: I would say, based upon the availability of funds from prior years, I would say it should be no more than \$2.9 million.

MS. MOLNAR: Okay.

MR. ROTH: And I'm not even making a recommendation for that at this point. We have to see --

MS. MOLNAR: What the total is.

MR. ROTH: -- at the end of the day how much it all totals up to. At least at this point, we can pare it down by \$1.6 million.

MS. MOLNAR: Is there a consensus in the members here, right now, in the time being, putting \$2.9 million for Corrections for the first two items?

MR. BRUNE: Could I just clarify something so that I understand. Are we saying that the difference between the \$4.5 million and the \$2.9 million we'd slip it into the Treasury account or are we just lowering it to \$2.9 million?

MR. ROTH: No, I think it would be -- this prior year money would be spent in lieu of raising money now.

MR. BRUNE: Might I just direct one other question to the Department. I think I heard the Department say that these are obviously separate projects. Correct?

MR. WORDEN: Yes.

MR. BRUNE: Separate projects.

Is there anything you could help us with in the fire safety area, particularly before we make this determination about the relative urgency in projects you're now trying to do versus the one's that are in request for '03?

ASSISTANT COMMISSIONER WALDRIS: I'm sorry, but I'm not quite following the question.

MR. BRUNE: Meaning, if they're separate projects -- in any kind of capital plan, you have prioritization of projects in your mind. I'm assuming these are separate sites as well, right, where we could get this money. Is there anything that you could help us with in the fire safety area? I ask that because it is obviously life safety issues -- before we make a determination about the motion here of the valid urgency of those projects you're up against.

ASSISTANT COMMISSIONER WALDIS: Well, we'd really have to, I think, go back and take a look at the projects that we have put on the table that is in submission of this budget. There are projects at a number of

institutions and address a number a different fire safety needs: suppression systems, detection systems, secondary means of egress. I think we would really have to --

MR. BRUNE: Okay.

ASSISTANT COMMISSIONER WALDIS: I couldn't be comfortable in answering that question at this moment.

MR. WORDEN: Also, at the present time, we're doing surveys. There are a number of firms out there that sold sprinkler heads -- and I'm sure the Department of Human Services is going to point the same thing out -- that have to be replaced. They're already installed in the institutions and we're going to need money for that. Right now, we don't know the extent of that -- our exposure on that. We're still doing the surveys.

MR. BRUNE: I guess what I'm trying to get at is that there are life safety projects that you clearly look at and say would not be a good idea to skip another year because people are clearly at risk. And then there are life safety projects where we're trying to be ahead of the curve on something that if you had the money, you would do. So I'm wondering if there is any kind of a distinction like that. I think the Committee (*sic*) -- I would like -- might want to know if you had any of the former where -- before we make our decision, where we wouldn't be turning our back on something that could put people at risk. So I'm just wondering.

ASSISTANT COMMISSIONER WALDIS: I think the -- basically, our needs are driven by, in this area, code compliance, you know. And the inspections are done routinely by the Bureau of Fire Safety, from the Department of Community Affairs. And we work with them, in terms of them

advising us as to which projects are of higher priority. We'd have to revisit that with them, I believe.

MR. BRUNE: Okay.

MS. MOLNAR: Okay.

So on the table for Corrections we have \$2.9 million with the allocation perhaps to be determined.

Okay, can we move on to -- I have the Department of Education.

MR. GENIESSE: Madam Chair, the staff is recommending \$900,000 for the Department of Education for projects at the Marie Katzenbach School for the Deaf. These involve repairs which are needed in the bathroom areas to prevent further damage, as well as some sanitary water piping and plumbing. I don't know if the Department would care to enhance that.

MS. MOLNAR: There's no matching funds or life safety issues, code compliance?

MR. GENIESSE: No, there isn't any.

MS. MOLNAR: Is there any representative from the Department?

Okay, please state your name for the stenographers.

A R T H U R H. S P A N G E N B E R G, Ed.D: Good morning. Dr. Arthur Spangenberg, Department of Education, Division of Administration.

These two projects represent -- in the first case, the replacement of a significant portion of the domestic water and sanitary piping to the oldest quadrant of the campus. Primarily, those buildings that are represented there we have had to remove the kids, the students, from because of the conditions of the buildings. They have deteriorated to such an extent based on primarily

water damage caused by the pipes and the backing up at the sanitary system. If in fact that project wasn't funded, we would continue to make -- we call them -- immediate repairs to minimize the damage on an occurring basis. But we certainly wouldn't be able to stop the continual damage overtime. That's point number one. And certainly we would never be able to get back to the point where we could put those buildings back into the use for which they were originally intended.

The second project has to do with the bathroom renovations in building 29. Again, we're talking about a 70 year old building. We're talking about extensive water leaks. We're not talking about renovations to these bathrooms. We very carefully chose the word rebuild simply because the bathrooms are in such terrible shape: the pipes, the water removal systems, the plumbing, the tile, etc. This has to be done.

If in fact we could only have two projects out of all our recommendations, I would have to focus on these two simply because -- I certainly wouldn't want my children or my grandchildren using the bathrooms in building 29, having seen them regularly. And second, we would not be able to use those buildings in the back quadrant of Katzenbach until this work begins. This is the beginning of the renovations of the oldest quadrant up there. And there are no Federal funds, no State matching funds involved. This is State money that we would use to repair these.

MS. MOLNAR: Thank you. That was very helpful.

DR. SPANGENBERG: Any questions?

ASSEMBLYWOMAN BUONO: Could I just make a comment? I think that as we're going along, so many of these projects are very worthy.

And I don't think that it should be misinterpreted that whatever action we take, if we take any action, on the motion that it should be interpreted that there's not support for these projects.

DR. SPANGENBERG: We understand that.

ASSEMBLYWOMAN BUONO: I think that in view of the Governor-elect and the economic situation that we are in that it is incumbent upon us to take our responsibility to heart in this Commission and to act accordingly. And that's all.

DR. SPANGENBERG: We wouldn't want it any other way.
Thank you.

MS. MOLNAR: Thank you.

Is there any consensus to include the two items for \$900,000 for Education?

MR. ROTH: Madam Chair.

MS. MOLNAR: Mr. Roth.

MR. ROTH: As Mr. Troy pointed out in the previous discussion, with regard to Corrections, there was some money left over from prior years. This report we've received shows there is \$824,000 still uncommitted from prior years. And I'm wondering if we could have a statement as to what that money is planned for and whether or not we could use that instead of raising additional funds.

DR. SPANGENBERG: Basically, when you refer to the uncommitted balances, what you're referring to are funds that are -- funds that this Commission had appropriated for projects approved in the past that are in process. As an example, it takes approximately one year from the time that

a project is approved for funding until we get it through the planning process, the scope of work process, the engineering process. So the point where any department of State government is ready to get out on the street and finally begin to see work actually happen so an uncommitted balance -- it looks like money is left over where we over funded a project. In essence, what it represents is -- and I'm sure every department that comes up here is going to say the same thing because it is in fact truth -- the department holds back until it actually has to expend the money for the next step of the project.

As an example, we're putting sprinkler systems into 11 Regional Day Schools that this Commission approved last year. We're at the scope of work process stage in about one-third of those cases. We're doing it geographically and based on building type. Now, we haven't put the money into operation until we really have to. It stays in the uncommitted balance file. When it gets to the point of we have to pay bills for scope of work, we send more money over, we release more money. When we have to go out on the street and the bids go out, then the money has to be at Treasury, and we would sign off on it. So what we would be doing is reallocating funds from prior approved projects for things that they're asking to go forward with today.

And off the top of my head, I could not sit here with any degree of assurance and say, yes, I can afford to do the bathrooms without looking to see exactly how many dollars I have left to spend to finish last year's project with the sprinklers and the Regional Day Schools. It's a very difficult position you're putting me in.

MR. GENIESSE: Mr. Roth --

MR. ROTH: Mr. Geniesse, perhaps you could clarify something for me.

MR. GENIESSE: Yes, I --

MR. ROTH: Doesn't the State have an encumbrance system where when projects are started they have to be encumbered against a budget or a capital line item?

MR. GENIESSE: That's true.

MR. ROTH: Every time a contract is issued the full amount has to be encumbered. So I would think if the amounts are uncommitted that we haven't encumbered them. And if we haven't encumbered them --

MR. GENIESSE: I just wanted to point out to you that in the \$800,000 balance that you're looking at was for roof replacement at the Regional Day Schools. So that was appropriated for really an entirely different purpose.

DR. SPANGENBERG: That's -- I don't have the document that you're looking at.

MR. GENIESSE: We tried to give the balances here, which related to some of the requests, but in this case that was appropriated for an entirely different facility, an entirely different project. It's not like critical repairs where there is a pot of money which could be used.

MR. ROTH: What you're saying is that they would have to pass legislation to reallocate those funds. We couldn't just do it automatically.

MR. GENIESSE: They would have to do a transfer of appropriation.

MR. ROTH: And that's done at the Legislative level?

MR. GENIESSE: It would have to go through the Legislature.

MR. ROTH: But if budget times are as hard as they say, perhaps the Legislature might consider doing something like that.

MS. MOLNAR: But the presentation in prior years was that this roof replacement is critical or the whole building would be destroyed.

DR. SPANGENBERG: This is the -- now I know which pile of money you are talking about. You're talking about a roof replacement at the Bergen County Bleshman Regional Day School, which has failed. We have spent considerable amounts of money in years past to repair it. It has gotten to the point that our engineers -- the engineers, the manufacturers, everyone's engineers have looked at it and said it has got to be taken off and be replaced. And we're in the process -- where in the middle of doing that. And the balance on the project, that we haven't spent yet, is \$800,000.

MR. ROTH: But contracts haven't been awarded?

DR. SPANGENBERG: Some contracts -- for the stages that we are at. But you don't issue the contracts for the entire project until that stage. When we're doing the scope of work we would issue contracts through the engineering firms that have won those bids to do the scope of work and the engineering work. At the next stage, we would put out bids for engineers to put the specifications together to go out and put the project on the street to have it bid by the contractors. At the point at which we would be ready to have the State sign contracts for the actual work to do with the contractor and get up there and start pulling the roof off, then the money would all have to be obligated and it would have to be placed in the control of the Division of

Property Management and Construction. At that point, it would be there. It's a very complicated process that we're all forced to live with.

I hope I haven't confused everybody.

MS. MOLNAR: No.

DR. SPANGENBERG: It's not a free balance. I wish it was.

MS. MOLNAR: Mr. Annese.

MR. ANNESE: Madam Chair, we're faced here with a decision of parsing the difference between a water leak from a pipe and a water leak from a roof. I don't think that is a good use of our time. We're dealing here with some of the most needy citizens of the State. And that's the disabled. The Department has already requested these two particular problems, water problems. Water problems are problems I have had personal experience with, unfortunately. When a building starts to leak water it's a debilitating problem, and it's only downhill from there. And I think we should go with the Department's request to fund those requests for fixing these leaking pipes, as well as letting stand the prior allocated money for fixing the leaky roof.

MS. MOLNAR: Thank you.

MR. ROTH: Madam Chair.

MS. MOLNAR: Yes.

MR. ROTH: Mr. Annese, it wasn't my intention to say that it wasn't needed or shouldn't be spent. I was just thinking in terms of which pile are we going to spend it from.

MS. MOLNAR: Good point.

Okay, sounds like the roof replacement moneys will be used. So is everyone amiable to putting \$900,000 in for now, for Education, for those two projects? Is that okay with everyone? I see people nodding yes. Okay.

Next department is the Department of Environmental Protection.

MR. GENIESSE: Madam Chair, the staff recommendation here is \$91,365,000. And this is a case of both of there being statutorily dedicated funding. That is for the Shore Protection, \$25 million from the Realty Sales Tax, the Realty Transfer Tax, and about \$46 million from the Appropriation Business Tax for hazardous waste cleanup. And that adds up to about \$71 million. And then another \$8.7 million -- or \$8.8 million, is for HR6: flood control projects, where there is a Federal match involved.

The remainder of the staff's recommendations are in the area of parks. The staff's recommendations add up to about \$10 million. The staff's recommendations here were based to a certain extent on -- some extent on life safety needs, but to a large extent on the past commitment that the Commission and the Legislature has made in terms of maintenance of the parks. In fact, this is half the amount which was appropriated in the current year for parks' maintenance.

So that is -- that recommendation is based really more on the prior commitment to maintain the parks -- were quality of life type recommendations than a life safety.

MS. MOLNAR: Let me see if I have this straight. Seventy-one million dollars is statutorily mandated. Correct?

MR. GENIESSE: That's correct.

MS. MOLNAR: Eight point eight million dollars is -- there's some matching money, so this we would want to put in that \$15 million lump sum pot. Eight point eight million dollars you said was for flood.

MR. GENIESSE: For HR6 flood control.

MS. MOLNAR: So following the guidelines we decided on in the beginning of the meeting, we would want to put in the \$8.8 million because there are some matching money.

Now the parks, that's up for the Committee (*sic*) members discretion, I believe.

MR. ROTH: Madam Chair.

MS. MOLNAR: Yes.

MR. ROTH: Since we have pretty much decided up until this point that we're only really going to be funding safety items and things of that nature, I recommend that we put zero in for parks.

MS. MOLNAR: Are any of the items for safety? Perhaps, crumbling stairs, things like that.

Is there anyone from --

MR. GENIESSE: There are some from the -- somebody from the Department.

MS. MOLNAR: Okay.

Please state your name for the stenographer.

D A V I D B A R T H: Good morning. My name is David Barth. I'm the Director of Budget and Finance for the Department of Environmental Protection.

MS. MOLNAR: We were wondering with the -- on the parks -- the department of parks, whether any of these items are public safety issues: crumbling stairs or anything like that.

MR. BARTH: Looking within the recommendations of the Commission, there are some recommendations that do relate to health and life safety throughout the park system: asbestos abatement, ADA compliance issues. Quickly, just tallying some of those, I see a recommendation of about \$650,000 for Parks and Forestry; \$200,000 for Palisades Interstate Park for similar type of activities. And that would be within the limit of what I see in the existing recommendations for health, life safety, environmental compliance.

MS. MOLNAR: So Item 6, health safety at parks and forests and item 88, building safety at Palisades. That would be \$850,000.

MR. ROTH: Mr. Geniesse, could you clarify which of these items, on page 5, correspond to the mandates or matches? And which do not?

MR. GENIESSE: If you look -- the Department's priority says 85. Those two items, hazardous waste cleanup and private underground storage tank, those are funded by the Corporation Business Tax statutory. The next item, Shore Protection, for \$25 million, that is funded from a dedicated funding source. I'm sorry, I skipped item 45, which was above those items, HR6 flood control, that is an item, which would result in State and matching funds.

MR. ROTH: What's the match?

MR. BARTH: It's a 25, 75 effective rate.

MR. GENIESSE: It's a 75 percent Federal match.

MR. ROTH: So everything above that is discretionary then?

MR. GENIESSE: Yes, I think we just pointed out a couple of items which did have some life or health safety significance.

MS. MOLNAR: So this Commission would recommend the \$71 million statutory amount, the \$8.8 million for the matching, and then the two life safety items, which adds up to \$850,000.

So far we're up to \$13.450 million of the Departments that we've done so far.

MR. ROTH: Okay. So we're talking about \$850,000 in discretionary here?

MS. MOLNAR: Yes, for life safety.

MR. ROTH: For life safety.

MS. MOLNAR: Two projects. Two items rather.

Okay.

MR. BRUNE: I just want to make it clear --

MS. MOLNAR: Mr. Brune.

MR. BRUNE: -- that we're counting the HR6 match.

MS. MOLNAR: Yes.

Ms. -- Assemblywoman Buono.

ASSEMBLYWOMAN BUONO: Yes, I'm having a little bit of difficulty here going through this process because it just seems to me it's incomplete and, quite frankly, inadequate. In my sense -- if it's the Committee's (*sic*) sense that we want to exercise fiscal prudence, perhaps this just seems to me this isn't the way do it. We have staff -- I mean, everybody is not in the meeting. The entire Commission is not here. Is every department

represented here with every staff member that would be integral to giving us a recommendation?

So my recommendation is that we hold the vote in abeyance and ask staff to call a new list of recommendations of emergent projects and also those funds that are constitutionally dedicated, such as Transportation Trust, CBT moneys that is dedicated to certain environmental projects, and come back to the Commission so that we can really -- rather than kind of playing -- I don't feel comfortable doing it the way we're -- I understand that it was my suggestion and I still stand by it. I think that is the way to proceed.

These are recommendations that we are going to be making to an outgoing Governor, really. And so I'm not quite sure who we're making recommendations to. But one thing I can say is that as an incoming Senator, if I'm on the Budget Committee again -- I may or may not be -- but I'm certain that I'll have enough input with the incoming Governor to perhaps, you know, certainly change some of the priorities, work around the edges. But I don't think I'm comfortable with the process as it's unfolding today. And I would respectfully ask the Commission Chair to get a sense from the members if they're in support of my suggestion of having staff hold the voting in abeyance today and have staff come up with a new list of recommendations based on my suggestion that we put in a pot of money in Treasury and vote on that and constitutionally dedicated items.

MS. MOLNAR: It was my understanding that they did prioritize it and based on their priorities our staff took that -- I'm not sure if they go back it would differ. I'll have to --

ASSEMBLYWOMAN BUONO: Well, it just seems to me from the testimony that we're receiving here today that everybody isn't entirely secure and confident that -- I mean, there's definitely room for debate, in terms of what is exigent and what is emergent. And I'm not comfortable, just as some of the people here testifying today don't appear to be comfortable in making that recommendation to the Committee.

MS. MOLNAR: Mr. Geniesse, do you feel that the departments would come up with a different list if we --

ASSEMBLYWOMAN BUONO: I'm not even suggesting they come up with a different list. They're interpreting what they've given us today in light of my motion. So I'm not really asking that they revisit and reprioritize. I'm asking that they characterize the priorities they've already given us, in the sense of what is life saving and emergent matters. So really I'm not asking them to do that. I certainly, surely, stand by their priorities as they've been already submitted to us.

MS. MOLNAR: Ms. Alexander.

MS. ALEXANDER: Madam Chair, I just have one question. Are you also proposing that we not vote on the dedicated portion of the suggestions, offerings, whatever, the recommendations here?

ASSEMBLYWOMAN BUONO: I'm saying that we vote on the dedicated.

MS. ALEXANDER: Okay.

And that would include the farmland -- I guess, the constitutionally --

ASSEMBLYWOMAN BUONO: Right.

MS. ALEXANDER: Okay.

MR. TROY: Madam Chair.

Assemblywoman, could we agree that we could vote on the dedicated, and could we agree that the zeros stand as they've been recommended? In other words, not to go back to the departments again and have them come back and say oh, now that you have this new criteria.

ASSEMBLYWOMAN BUONO: Thank you. That is an excellent idea.

MR. TROY: Can we all agree that the -- and I know all of you will not like this -- that the zeros stand? We can do the dedicated and then have the Commission go back and provide us with what the Assemblywoman is asking for.

MS. MOLNAR: Okay.

Were there any departments that we made zero that may have had some life safety issues? Like for example, the taxation building renovations. I don't know if any of that is life safety.

MR. BRUNE: Madam Chair, are you asking about the ones that we've already been through?

MS. MOLNAR: No, these --

MR. BRUNE: Or ones that we're about to do?

MS. MOLNAR: Others, just in general. If we said zero, was there any life safety issues?

MR. BRUNE: Meaning the ones we've already set zero to.

MS. ALEXANDER: As staff.

MR. TROY: As recommended.

MR. BRUNE: Today.

MR. TROY: As recommended.

MR. BRUNE: As recommended, okay. Because my recollection, John, is that we have -- we categorized the life safety ones fairly clearly.

MR. GENIESSE: Right.

MR. BRUNE: But the issue might be, as someone was referring to, is the degree of urgency.

MR. GENIESSE: Right. The staff -- if there was a zero recommendation and that the staff felt that there was not an emergent life safety issue.

MS. MOLNAR: Okay.

Mr. Annese.

MR. ANNESE: Madam Chair, I just -- for a point of information. John, through you Madam Chair, could you just update us, for the record, the process the staff went through under these recommendations, to make these recommendations, in light of any knowledge of budgetary restraints they had?

MR. GENIESSE: Well, the process is the staff -- as you know, we hear the testimony of the various departments. We meet with the departments. Obviously, their requests far exceed the fiscal resources to take care of all of them. The staff tries to get a sense of the most urgent of the high priority projects. We would take into account the priority that the agency has placed on them and then try to call down from that the most urgent of those projects.

This year, as I said in my kind of opening statement, we took a much more restricted view of what was really urgent. In the past, when it

appeared that there were resources to cover initial needs, we would recommend to the Commission more of these projects. This year, it was a very close review of what was -- what absolutely needed to be done in the coming year.

MR. ANNESE: Madam Chair, in light of that and in light of the opening statements that we heard earlier today, and perhaps the Assemblywoman wasn't here for that, in prior years we had \$300 million --

ASSEMBLYWOMAN BUONO: I was here.

MR. ANNESE: You were here for that, okay.

In light of the huge reduction, discretionary recommendations we're making, I would recommend we, you know, go with thirty years of precedence. That, you know, we do the job that we were assigned to do, which was to review things, and, you know, pass it onto the budget, the budget process. And so therefore, I'm more inclined to support most of the recommendations that we have in front of us and let the process take its natural form. In other words, we have lots of time and experience in this process working well for us. So I'm not hearing how this is unfolding. I'm more inclined to go along with what we know has worked in the past rather than for us to reinvent the wheel at this point in the budgetary process.

And I believe we're under statutory restraint to have this budget -- our recommendations submitted very shortly, if I'm not mistaken. And I think we should, you know, do what has worked for us in the past and pass this recommendation forward.

ASSEMBLYWOMAN BUONO: Madam Chair.

MS. MOLNAR: Yes.

ASSEMBLYWOMAN BUONO: We have a budget deficit, which I've already eluded to earlier. Really, if you consider this current year and the looming fiscal deficit in the upcoming fiscal year of almost \$5 billion, precedent doesn't hold in this situation. So I think that maybe what has worked for us in the past won't necessarily work for us under the current circumstances. And so I stand by my -- and I'd like to make a motion to vote on my recommendation.

MS. MOLNAR: Well, I have to go back to history a little bit since I've been on the Commission since 1987. During the recession of the early '90s, the then Governor, Florio, did welcome our recommendations although in the end zero was appropriated. But the Governor did want to hear our recommendations. If there was any money where we would allocate it. So I'm kind of caught between what Mr. Annese says and Assemblywoman Buono.

Perhaps, we could continue on the way we were doing it. Just coming up with items that are matching, life safety, and statutory. I know the life safety is a little fuzzy, but some departments or most of them have indicated some life safety issues. So perhaps we may go over the \$15 million that you had suggested, but maybe we can continue on and come up with a number which -- true, it may be over the \$15 million, but at least it would be based on our meeting with the departments and having deliberated today.

ASSEMBLYWOMAN BUONO: So we're not voting on my motion?

MR. ROTH: It wasn't second.

MS. MOLNAR: If there is a second, I'll be happy to vote on it. Is there a second? The motion would be to vote now on the \$15 million --

ASSEMBLYWOMAN BUONO: No.

MS. MOLNAR: I'm sorry.

ASSEMBLYWOMAN BUONO: No, my motion would be to hold our vote in abeyance until staff comes back with recommendations as to what they consider to be emergent, life safety measures that should be included in the central pot to be placed within the Department of Treasury.

MS. MOLNAR: Okay. It's my understanding that statutorily we have to make a recommendation by December 15th. I'm not quite sure of the date.

MR. GENIESSE: I don't know that there is a statutory date that we make our recommendations, but the process is set up that we provide these recommendations in time for the Governor's budget that's usually introduced in late January. That's why we're scheduled in December to make these recommendations. So I believe it would be prudent to try to make some recommendations within a short period of time.

MS. MOLNAR: Okay.

MR. TROY: Madam Chair.

MS. MOLNAR: Yes.

MR. TROY: May I follow up with -- if I'm hearing the Assemblywoman -- basically, what we would do here is -- considering that the fire safety issues are a bit fuzzy -- and I can see from the departments struggling here as well, that it's somewhat unfair to them. But I would also like to commend John and his staff. I think that you really took this process seriously, and considering our discussions that we've had that this is going to

be a very tough year, that you really tried to zero down on what absolutely is necessary.

Assemblywoman, I can certainly support where you're coming from. And I guess it's, you know, one more shot of this, but only from the standpoint that there are some recommendations that cross that line. You said emergent, fire safety, can you delay it. I think the departments received their recommendations from us only this week, so they kind of reacted to it, and it was a very new year for them. I mean, normally there is a whole list of things and they maybe were very happy with that.

Could we put out on the table that we go back to those fire safety issues and maybe call them down to really zeroing down on what is an emergent issue, what is code compliance, whatever? Nothing can be added, in terms of what the Commission has recommended to leave credibility to what the staff has already done because then we're going to start the process all over again. And basically, zero down one more time.

Again, and I agree with when I heard the education people say that their bathrooms are leaking. I feel bad too. And I've been in this business a long time, but it's going to be a tough year, which means there are going to be tough decisions to be made. And I'm getting uncomfortable as well because I'm seeing people scrambling here and they're looking at each other, and they're really not reacting. Let's be fair to them.

But, I mean, I would support the motion that fire safety issues are put out as what we still want to consider. The dedicated funding, I believe, we all agree that we will support. Anything that is matching Federal funds we will

support. And then maybe at that point it would be a very short list of what we really need to look at, and we could table that and reconvene within the week.

MR. BRUNE: Madam Chairwoman, just one quick point. I just want to make sure the Assemblywoman agrees with. One of the points that is in the middle here, and I think it's more of a dispute, is we were matching Federal funds in some cases. In one sense of the word, would our recommendation be for dedication of funding plus whatever matches? Federal would be one thing that we might vote on today. And then leave in abeyance the fire safety thing whether there is a bit of fuzziness.

ASSEMBLYWOMAN BUONO: I thought that was what Mr. Troy was suggesting.

MR. BRUNE: I just wanted to make sure we're all clear on that. Okay.

MS. MOLNAR: Okay, so you're suggesting we vote on statutory and matching dedications.

MR. TROY: Yes.

MS. MOLNAR: Zero recommendations would stand and then fire safety -- we would go back to the departments and ask them to tell us what's emergent.

MR. TROY: Yes.

MR. BRUNE: Madam Chairwoman, one thing we might want to do here is to give them a little guidance on that issue. Meaning, you could also make an argument about something being emergent, but clearly the Assemblywoman is referring to a difficult budget year that we're all aware of.

I think we might want to give them some guidelines, possibly from the Commission staff, as to how we think emergent is defined.

Someone eluded to as -- referring to the Correction's focus before, which is, if you don't do anything in the next year, you clearly face a situation where people are clearly at risk versus getting ahead of the curve possibly if that's the way --

MS. MOLNAR: Based on that definition, the money we put aside for Corrections, would that fall under that criteria, the \$2.9 million? One point seven million dollars was fire safety, the other \$1.2 million was critical repairs.

MR. BRUNE: I imagine that's what they would come back to us and tell us.

MS. MOLNAR: So today we would still continue going through the departments picking out what is statutory, dedication, or matching.

MR. GENIESSE: Madam Chair, if the Commission wishes, I could kind of shortcut that process here. There's not that many departments where that occurs. If you don't want to go through each department.

ASSEMBLYWOMAN BUONO: Staff can do that as easily.

MR. GENIESSE: I can -- if you want to make a motion on what has been expressed here, I can basically give you the components of what would be recommended for the statutorial, dedicated, and the Federal matching funds.

ASSEMBLYWOMAN BUONO: And I might add, Ms. Chair, that this is an inaugural year so the budget address would be in February, not in January.

MR. GENIESSE: Right. I'm aware of that.

MS. MOLNAR: Okay.

MR. GENIESSE: So --

MS. MOLNAR: Do you want to vote on the motion then?

MR. ROTH: I'm not sure I know what that motion is. (laughing)

MR. GENIESSE: Would you like to hear the number first?

MS. MOLNAR: All right.

MR. GENIESSE: And I'll --

MS. MOLNAR: This is statutory, dedication, matching.

MR. ROTH: Are you going to go down department by department?

MS. MOLNAR: No.

MR. GENIESSE: Well, now it's only about five or six numbers, so I'm going to just point you to those numbers as quickly as I can.

The big number in the Department of Transportation, on Page 32, is \$870,800,000. That is the authorized level for the Transportation Trust Fund funding.

MR. ROTH: That's on 33, he said?

ASSEMBLYWOMAN BUONO: Yes.

MR. BRUNE: I'm sorry, John --

MR. ROTH: I have one for --

MR. GENIESSE: I'm sorry. I'm looking at the -- you may be looking at a different document. I'm looking at the document which contains the narrative.

MS. ALEXANDER: Thirty-nine pages long?

MR. GENIESSE: Yes, 39 pages long.

MR. ROTH: Okay.

MR. GENIESSE: On Page 32, Transportation Trust Fund funding, \$870,800,000.

MR. ROTH: That's all dedicated?

MR. GENIESSE: Yes, and that is the authorized level from legislation of funding for the Transportation Trust Fund. On Page 38 of 39, Open Space Preservation Program, \$98 million. That is constitutionally dedicated sales tax revenues, \$98 million. On Page 8 of 39, in the Department of Environmental Protection, the two items: private underground storage tanks, that's CBT and hazardous waste cleanup, CBT, which add up to \$46,290,000. Those are from statutory, dedicated funds. On Page 10, also in Environmental Protection, \$25 million for Shore Protection, that is from the Realty Transfer Fees.

And then there are two -- I believe, two instances, and I stand corrected if someone here can correct me -- two instances, I believe, are Federal matching funds. One is in -- we've talked about it in Environmental Protection, that is for the HR6 flood control. I've lost the page on that. Oh, here it is, Page 10. Also on Page 10, \$8,650,000. And then the other instance is in the Department of Military and Veterans' Affairs. On Page 23 of 39, for the Vineland Veterans' Memorial Home, \$1 million would generate Federal matching funds.

That is my understanding of items which met the criteria which the Commission is suggesting.

MR. ROTH: Plus the matches that we just discussed before, right? At the two hearings? Not matches, dedications. You said there was dedicated money in -- oh, I'm sorry, you covered it already.

MS. MOLNAR: Yes.

MR. GENIESSE: Yes.

MS. MOLNAR: Six items: Transportation Trust Fund, Open Space, hazardous and storage, Shore Protection, flood control, and Military Affairs fall in that.

MR. ROTH: Madam Chair, may I also suggest that staff take a look at the uncommitted funds from prior years to see whether or not any of that is in excess at this point and see whether or not we can apply it?

ASSEMBLYWOMAN BUONO: That's a good idea.

MS. MOLNAR: Okay.

MR. GENIESSE: Madam Chair, I just did some quick math so that the Commission members know what they're voting on. Those items add up to \$1,049,740,000.

MS. MOLNAR: What was that again?

MR. GENIESSE: A billion forty-nine million seven hundred forty thousand dollars.

MS. MOLNAR: Okay. But only \$9 million is outside of the dedicated funds?

MR. GENIESSE: That's correct.

MS. MOLNAR: The money has to be appropriated. And then we would eventually vote on emergent fire safety issues at another meeting. Right?

MR. GENIESSE: For the convenience of the Commission members, would you want to convene again or would you want to do it by teleconference?

MR. ROTH: I would say teleconference because this time of the year it's pretty difficult for everybody, in a way.

MS. MOLNAR: Okay. Is that doable?

MR. GENIESSE: Yes.

MS. MOLNAR: How much time will the departments need to go back and look at their emergent matters? How much time should we give them?

MR. GENIESSE: Are you asking the departments to go back? I thought your motion was to ask the staff to reevaluate its recommendations.

MS. MOLNAR: I would think you might have to consult the departments.

MR. GENIESSE: That's true.

MS. MOLNAR: So what's realistic for your staff? Can we, of next Friday -- can we have a teleconference next Friday?

MR. GENIESSE: We will attempt that, Madam Chair, if that's the sense of the Commission. We will try to arrange that.

MS. MOLNAR: Do Commission members know if they are available?

MR. ROTH: I'm tied up next Friday.

MS. MOLNAR: Okay. Even early in the morning?

MR. ROTH: Yes.

MS. MOLNAR: Okay. Is that a problem for anybody else? That would be Friday the 14th, December 14th. And that gives you and your staff enough time, plus the departments, to determine the emergent matters.

MR. GENIESSE: We will do our best.

MS. MOLNAR: Thank you.

MR. ROTH: Madam Chair, if the timing could be scheduled for after 2:30 or so, in the afternoon, I would be available. But I'm tied up that whole morning.

MR. GENIESSE: We will call around. All members of the Commission can be included in this teleconference, including those that couldn't make it today, and come up with a convenient time.

MS. MOLNAR: All right. That's good.

Okay, I don't believe we ever voted on the motion.

MR. BRUNE: Madam Chair, can I just ask one quick point for clarification? Is there anything -- since we're not going to go through the whole rest of this, is there anything security related that we would want anything -- I know there are some other things, John, that we were, at least initially, recommending was a disaster recovery project in OIT having to do with (indiscernible). I don't see here -- knowing the benefits of that -- but I'm just wondering -- I think frankly maybe we would just end up with life safety. I just wanted to know if there's any we should flag for the folks here, something outside of life safety that has some kind of pressing urgency to it that we should always be knowledgeable about.

ASSEMBLYWOMAN BUONO: I certainly would not be opposed to that. That's a very good idea, actually.

MR. GENIESSE: We could add that to the criteria of -- yes, there are some items in the Interdepartmental area relating to the State Complex security and particularly the State House.

MR. ROTH: Madam Chair, I hate to keep adding to this, but there was one recommendation which I was against at our last meeting for storage space. In reading through the package this week it's a \$1.9 million expenditure that's suppose to save us \$1 million a year in leases. And I think if you can recover it within two years -- otherwise you would be budgeting this for infinity. I don't know how the Board feels, but I think that is a very wise expenditure at this point. With the idea being that down the road we go through electronic storage of files as opposed to paper. But in the interim -- I mean, if we're talking about literally saving \$1 million a year in the operating budget that's a big number.

ASSEMBLYWOMAN BUONO: I hate to, you know, recommend against that. It really goes against the grain, but really the purpose of the motion was very narrow. And it was not to say that ultimately this money wouldn't be expended. I'm sure that we would recommend to the incoming Governor, under the circumstances, the way it's characterized. Certainly, it's not even debatable that it's something that should be recommended down the line.

MR. GENIESSE: And I would just add that the recommendations that go forth to the Governor and the Legislature include also those projects which are not recommended. So, to that extent, they do receive consideration. And in past years have been funded. So I just wanted to make that point.

MR. BRUNE: John, just so I'm clear. One of the -- the first thing that we might do is to clarify to the staff, possibly over the phone, exactly how we define the fire safety, emergent needs. And in the interest of turning this around quickly, the staff would work within the relative departments affected. Can you define that a little bit?

MR. GENIESSE: Yes, that would be the understanding.

MS. MOLNAR: I think we have to vote on the motion. The motion was to vote on the statutory dedications, the constitutional dedications, any matching funds, and then in turn have our staff revisit the emergent, fire safety, security issues.

MR. ROTH: Question on the motion?

MS. MOLNAR: Yes.

MR. ROTH: Could you repeat what the total amount that adds up to?

MR. GENIESSE: The total amount is \$1,049,740,000.

MS. MOLNAR: That would be excluding any emergent items to be considered.

Did we have a second on this motion?

ASSEMBLYWOMAN BUONO: Not yet.

MR. ROTH: I wasn't sure whether it was the Assemblywoman's motion or Mr. Troy's motion.

ASSEMBLYWOMAN BUONO: Well, either way.

MR. TROY: I would --

ASSEMBLYWOMAN BUONO: I'll second yours, you can second mine. I have no pride in authorship.

MR. TROY: Done. Fine. Done.

MS. MOLNAR: Okay, are there any other questions or comments -- there was a second. Any questions or comments? (no response)

Okay, let's take a roll call on the motion.

MR. GENIESSE: On the motion, Mr. Brune.

MR. BRUNE: Yes.

MR. GENIESSE: Mr. Annese.

MR. ANNESE: Yes.

MR. GENIESSE: Mr. Roth.

MR. ROTH: Yes.

MR. GENIESSE: Assemblywoman Buono.

ASSEMBLYWOMAN BUONO: Yes.

MR. GENIESSE: Ms. Alexander.

MS. ALEXANDER: Yes.

MR. GENIESSE: Mr. Troy.

MR. TROY: Yes.

MR. GENIESSE: Ms. Molnar.

MS. MOLNAR: Yes.

MR. GENIESSE: Madam Chair, that's seven votes in the affirmative. The motion carries.

MS. MOLNAR: Thank you.

Okay, hopefully this Commission will reconvene on next Friday, telephonically. Will you have a room available so that if the departments still want to sit in it will be possible? Or maybe at that point -- maybe we --

MR. GENIESSE: We'll have to discuss that.

MS. MOLNAR: Okay.

MR. GENIESSE: I would assume that by the time we have the meeting again that we will pretty much discuss what we need to discuss with the departments.

MS. MOLNAR: Okay.

MR. GENIESSE: I guess we could let them know if they want to attend or not.

MS. MOLNAR: Okay.

Is there any other business to come through this Commission prior to the next week's meeting? (no response)

If not, meeting adjourned.

(MEETING CONCLUDED)