

# *Public Hearing*

before

## LEGISLATIVE TASK FORCE ON PUBLIC BROADCASTING

*"Public media programming, NJN's assets, and related issues"*

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**LOCATION:** Montclair Township Municipal Building  
Montclair, New Jersey

**DATE:** September 23, 2010  
6:00 p.m.

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

Senator Nia H. Gill, Chair  
Senator M. Teresa Ruiz  
Senator Jeff Van Drew  
Senator Sean T. Kean  
Senator Joseph M. Kyrillos Jr.  
Assemblyman Thomas P. Giblin  
Assemblywoman Nellie Pou  
Assemblyman John F. Amodeo  
Assemblyman Alex DeCrocce



### **ALSO PRESENT:**

Kevin J. Donahue  
Charles A. Buono Jr.  
*Office of Legislative Services*  
*Task Force Aides*

Sarah Lechner  
*Senate Majority*  
Keith White  
*Assembly Majority*  
*Task Force Aides*

Christina Velazquez  
*Senate Republican*  
Colin Newman  
*Assembly Republican*  
*Task Force Aides*

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

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**SENATOR NIA H. GILL (Chair):** Thank you.

The third and final meeting of the Task Force will come to order.

May I please have attendance -- roll call?

MR. DONAHUE (Task Force Secretary): Assemblyman Amodeo.

ASSEMBLYMAN AMODEO: Present.

MR. DONAHUE: Senator Kean.

SENATOR KEAN: Here.

MR. DONAHUE: Assemblyman DeCroce.

ASSEMBLYMAN DeCROCE: Here.

MR. DONAHUE: Assemblyman Giblin.

ASSEMBLYMAN GIBLIN: Here.

MR. DONAHUE: Senator Ruiz.

SENATOR RUIZ: Here.

MR. DONAHUE: Chairwoman Gill.

SENATOR GILL: Here.

MR. DONAHUE: And we have, also, Senator Van Drew.

SENATOR VAN DREW: I'm here.

SENATOR GILL: Good evening.

I would like to welcome everyone to Montclair for our third public hearing, which would not be possible without the excellent assistance of the Township employees.

I would also like to thank the OLS staff and the partisan staff for all of their hard work.

As many of you know, tonight will be the final public hearing for this Task Force. We began this journey with our first public hearing in Trenton almost two weeks ago, and we are extremely fortunate to have worked with the wonderful NJN staff who have not only publicly testified, but also provided the Task Force with great insight into the important mission of NJN.

The Task Force would also like to acknowledge and thank all of our invited speakers, as well as the members of the public, who have both provided testimony and counsel to the Task Force.

This bipartisan Task Force was created by the Legislature with bipartisan support in order to study the Governor's proposal to transfer the assets of the New Jersey Public Broadcasting Authority to an independent, not-for-profit organization. The creation of the Task Force by the Legislature is a direct acknowledgement of the importance of public media in New Jersey.

Without this Task Force, the legislators would not have been fully informed of the complex issues at hand. And I wish to thank my colleagues on the Task Force for their commitment to public media.

As I stated earlier tonight, it is our final public meeting. However, this does not mean we are finished with our work. The Legislature, now empowered with the knowledge gathered during our public hearings, will not only release a report on October 15, we must also approve legislation to authorize the transfer or sale of the license. The continued involvement of the Legislature in this process is crucial to ensure that NJN's mission continues.

And I would like to ask the ranking member from the Republican side, Minority Leader DeCroce, if he would like to make an opening statement.

ASSEMBLYMAN DeCROCE: I have no statement for this evening.

SENATOR GILL: Okay. Any other statements? (no response)

We will now begin with the testimony.

First witness.

MR. DONAHUE: Our first witness is Mr. Richard Williams, Assistant Director of Engineering, NJN.

SENATOR GILL: Thank you, sir. Good evening.

**RICHARD A. WILLIAMS:** Good evening.

My name is Richard Williams. I'm the Assistant Director of Engineering.

Thank you very much for the opportunity to address you this evening.

I don't have an opening statement. I've provided you with some background on what I do for NJN. I know that through this process you've had some questions about our technical assets, our technology, training. And perhaps towards the end of this, I'd like to go over a couple of things about opportunities and some immediate concerns that our staff have.

SENATOR GILL: And we do-- We did have some questions that the Minority Leader wanted to pose to this witness, so we'll let you begin.

ASSEMBLYMAN DeCROCE: Thank you.



During the testimony, we learned that the station changed over to digital. Why was it necessary to go HD, high definition?

MR. WILLIAMS: Sure. The process of switching to digital was a national process which all broadcasters were required to do. And actually within that scope, there's about 18 different formats that a broadcaster can broadcast in. Some of the most popular and most used formats are high definition and standard definition.

Standard definition is akin to the 4x3 small aspect ratio that some of the older TV sets use. The new TV sets that are being manufactured now have a larger aspect ratio. They are what's called 16x9, and a majority of broadcasters are using that format. And NJN adopted that format, as well as our network, PBS. So a majority of the content that we receive at NJN is in high definition. However, the majority of the content that we produce is not in HD; it's still in standard definition.

ASSEMBLYMAN DeCROCE: What was the difference between the cost of the high definition and just a standard program?

MR. WILLIAMS: In terms of converting the facilities?

ASSEMBLYMAN DeCROCE: The difference between the equipment that you have to purchase from time to time. And what type of equipment did you have to buy, by the way?

MR. WILLIAMS: Most of the equipment that we have purchased so far has been to facilitate the exchange of information from our network out to our transmitters. The cost between high definition and standard definition within that transmission formation is practically the same. It's only when you get involved in the production of high definition

where the costs are different. And we're still approaching changing over our facilities for high definition.

ASSEMBLYMAN DeCROCE: You know, I never did get a clear answer as to the amount of people who actually watch NJN. And, frankly, I'm just wondering if you guys have ascertained, by virtue of the number of people who watch NJN, if it was worth the investment. And how much was that investment?

MR. WILLIAMS: Well, when you look at the entities who carry us not only over the air, but cable, direct broadcast, FiOS -- they all carry us in high definition. And actually, in some cases, they carry both of our programming streams. We have a high definition channel called NJN 1 and a standard definition channel called NJN 2, as well as an audio-only service. So most entities carry us in all those formats.

ASSEMBLYMAN DeCROCE: Again, if you have-- Do you have a rough idea of what the cost of switching over to the high definition was, at all, for all your equipment, for all the--

MR. WILLIAMS: We've invested \$20 million so far in the transmitters, the master control, and the interconnects in between.

ASSEMBLYMAN DeCROCE: And what happened to all the analog equipment?

MR. WILLIAMS: Some of it's still in use, sir.

ASSEMBLYMAN DeCROCE: It's presently in use?

MR. WILLIAMS: Yes.

ASSEMBLYMAN DeCROCE: All of it?

MR. WILLIAMS: Not all of it, but some of it gets retired as it ages out of the system and there are no longer parts available to maintain it.

ASSEMBLYMAN DeCROCE: What do you do when you retire that particular equipment?

MR. WILLIAMS: There is a procedure that the State has for disposing of equipment. In some cases, it could be donated. But I believe there's a salvage center within State government that allows for proper disposal.

ASSEMBLYMAN DeCROCE: Aren't there analog stations that might be interested in purchasing that equipment?

MR. WILLIAMS: Most stations, I believe, are trying to use digital equipment. It's more efficient. And, again, the costs of maintaining the equipment is cheaper.

ASSEMBLYMAN DeCROCE: I'll rest my questioning for now. I want to think about a couple of things.

UNIDENTIFIED SPEAKER FROM AUDIENCE: We can't hear back here. Can you use the microphone?

ASSEMBLYMAN DeCROCE: You can't hear.

UNIDENTIFIED SPEAKER FROM AUDIENCE: I don't think the mike works.

ASSEMBLYMAN DeCROCE: I'm sorry.

You're the guy. You're the engineer, not me. (laughter)

SENATOR GILL: Typical politicians. We want to know, does the camera work? (laughter)

But we will make sure your mike works.

MR. WILLIAMS: Testing one, two, three; one, two, three.

SENATOR GILL: You can continue. You will just have to speak loudly.

Any more questions?

Assemblyman.

ASSEMBLYMAN AMODEO: Madam Chair, thank you.

Sir, I do have a question referring-- As we move forward in the process and the efforts to keep NJN thriving in the State of New Jersey, what do you feel -- and we know technology changes instantly -- what the capital expenses would be in the near future, say projected over the next couple of years, as we look at the way to finance and keep things going?

MR. WILLIAMS: Okay. The answer to that, right now, is \$11 million. We estimate that if we were to convert the facilities to full digital to take advantage of some of the new techniques that are being used by other stations, it would be \$11 million.

ASSEMBLYMAN AMODEO: And that \$11 million would be expended over a period of two to three years, five years?

MR. WILLIAMS: Well, again, under the State system, the procurement process could delay that. And, unfortunately, in some cases -- in particular with our master control, which I'm familiar with -- it was a six-year process. And then during that period, it took 13 revisions of RFP, because, as you know, with any high-tech equipment, the equipment changes rather rapidly, sometimes in six-month intervals.

ASSEMBLYMAN AMODEO: Thank you, sir.

Thank you, Madam Chair.

SENATOR GILL: Senator Van Drew.

SENATOR VAN DREW: Thank you, Chairwoman.

There has been so much discussion.

It's interesting, because you're hearing it from one side to the other. Minority Leader DeCroce talks about: Why did you go to high def? If you hadn't, we'd probably be asking you questions of: For God's sake, why haven't you, because everything is going high def?

But the value of the equipment-- I guess it's a two-part question. One, what is-- What do you think the value of all the technology is that you have now? If you could just give us a ballpark figure, because we've heard different numbers with that. You would be the person who would have a real sense of it. How much equipment do you have that you think, quite frankly, is not all that marketable now or isn't really all that worthwhile? And then the bigger question is: Are we where we should be? In other words, are we competitive? Is the technology good? Are we really on the cutting edge of where we need to be so that people think, when they're watching it and listening, that they're really getting the product that they want?

MR. WILLIAMS: To address the high definition thing-- And I think if we didn't do it, we would be in a different situation.

SENATOR GILL: You're going to have to speak up, because we don't have a microphone that's working for you.

That is for the audience.

Continue.

MR. WILLIAMS: I like to equate the reason for high definition-- If you didn't go high definition in the marketplace that we currently operate in, it would almost be like in the 1960s when a station was in black and white as opposed to color. So that's how we've approached it in terms of trying to--

SENATOR VAN DREW: You'd be a dinosaur.

MR. WILLIAMS: Yes. And, of course, manufacturers are building the sets for high definition.

In terms of the assets, we currently track, in my department, approximately \$6 million, \$7 million of assets on the books. Of course, what the market value is for that I don't know. I'm not an accountant.

SENATOR VAN DREW: Through the Chair, you have \$6 million or \$7 million worth of assets. That would be the value if you had to buy them, but that might not be the value if you were to sell them.

MR. WILLIAMS: No, sir. The replacement value would be far greater.

SENATOR VAN DREW: Okay.

MR. WILLIAMS: I think if you were to include the replacement value, it would be \$35 million. And we're working with Treasury right now to identify what the assets are in the marketplace. We've had an ongoing process since April of providing them with our inventory, and they are-- They have an RFP that they just awarded for radio asset identification. Television: we've reviewed the RFP. And I believe that that will be on the street within the next week or two.

SENATOR VAN DREW: So we'd have a better sense then.

MR. WILLIAMS: Yes.

SENATOR VAN DREW: Thank you.

SENATOR GILL: Any further questions?

Assemblyman Giblin.

ASSEMBLYMAN GIBLIN: I was looking at your capital spending. In your report, you mention that about \$40,000 has been spent over the last several years in capital improvements.

MR. WILLIAMS: Yes.

ASSEMBLYMAN GIBLIN: You had made application for grants, I guess, from the Corporation for Public Broadcasting.

MR. WILLIAMS: Yes.

ASSEMBLYMAN GIBLIN: And you were awarded \$1.8 million.

MR. WILLIAMS: Yes.

ASSEMBLYMAN GIBLIN: And our share would have been 25 percent?

MR. WILLIAMS: In some cases it fluctuates, depending on what the equipment is and what the amount that the Federal government is providing. But in some cases, we've left 75 percent Federal funding on the table and had to rescind those grants that were already awarded to us.

ASSEMBLYMAN GIBLIN: What's our relationship with the Corporation for Public Broadcasting if, in fact, they have awarded us grants and we keep turning them back. I mean, after a while, wouldn't they kind of say, "Are you for real?"

MR. WILLIAMS: Well, normally there's no prejudice when it comes to--

ASSEMBLYMAN GIBLIN: Have we stopped making applications for grants?

MR. WILLIAMS: This is the first year in my 30 years that I have not asked for a grant. Because the last 18 months we've had to turn back grants, and there has not been a State match available.

ASSEMBLYMAN GIBLIN: How will this all play out, assuming that things remain status quo in terms of having the best possible equipment? Will we get into a situation where this will impact, as far as our--

MR. WILLIAMS: Our funding, our main source of capital comes from matching grants -- matching Federal grants. It's safe to say that an entire public broadcasting system in New Jersey has been provided through Federal matching grants. And yes, if you do not have the ability to apply for these grants and have the match for the grants, then that, in all intents and purposes, stops your construction.

ASSEMBLYMAN GIBLIN: These grants -- are they only available to public broadcasting agencies?

MR. WILLIAMS: They're available to a variety of people who qualify. And that's another thing. We would have to find out, if we were to change to another entity, what qualifications they would need in order to match these grants, in order to be available for these grants.

ASSEMBLYMAN GIBLIN: In some of the previous discussions, the issue of homeland security kind of came to the forefront. From your professional opinion, if things were to change, how would we handle that? Would we just-- Would we have to make any revisions?

MR. WILLIAMS: If you turn to the second page, I talked about some of the essential services that NJN provides. That's part of our enabling legislation. And the statewide emergency alert system is a main



function of New Jersey Network. We are one of the providers of this service for all stations in the state. As a regional player within this format, we take direct communications from the State Police and disseminate that out through our TV and radio network to other broadcasters. This is done free of charge. We don't (*sic*) do this. In some cases, some commercial stations have been asked to do this for the State Police, and they've turned it down. So we have stepped up to the plate and provided this service, because it is part of our enabling legislation. And we wouldn't think twice about not doing it.

If you look at some of the other aspects of our Network -- the hardening that we've done, the backup generation, power generation -- we take this very seriously in order to provide the citizens of New Jersey and other broadcasters with this service.

ASSEMBLYMAN GIBLIN: Is there any way of putting a price tag on that as far as these services that you provide?

MR. WILLIAMS: In terms of duplicating it?

ASSEMBLYMAN GIBLIN: No, just the idea of whether it's equipment or time. Is there any way of -- value?

MR. WILLIAMS: I think the direct cost -- and I've been asked this before. I know that we provide a man presence in our master control to answer those calls from the State Police that may happen at any time. I would say it would cost us roughly \$180,000 just to keep -- make sure that we have that man presence within our master control overnight.

ASSEMBLYMAN GIBLIN: What is that, 24/7?

MR. WILLIAMS: Yes, sir. And we are the only entity that has five different communication links into the New Jersey OEM in order to maintain this conduit of information.

ASSEMBLYMAN GIBLIN: Thank you.

SENATOR GILL: Any further questions for this witness? (no response)

Thank you very much.

MR. WILLIAMS: Could I just say a few more words?

SENATOR GILL: Oh, sure.

MR. WILLIAMS: I'm sorry.

SENATOR GILL: We have a lot of people who want to say a few words, and brevity will be appreciated.

MR. WILLIAMS: I understand. In terms of that Page 2 that I talked about, you can see there are some other secured types of communications that we offer through our digital broadcasting. We have a \$1.4 million grant awarded to NJN and the State Police in order to facilitate communications out to the OEMs. We have planned to also extend that to the State Prosecutors' Offices.

And there are a couple of concerns I have, also, about how we plan to keep our transmitter sites powered after December. There is no plan for keeping the lights on. And we have our four towers across the state which are not only used for our programming, but they're used to help with the communications network for the State Police and other Federal agencies. And I think this is a concern that I have, as somebody who is directly responsible for paying the electric bill, that there is no provision for funds to keep the tower lights on so they're not a hazard to the FAA, as well

as some of the commercial entities that are on our tower, like 101.5. If we don't have secured sites, how can we assure our Federal, State, and private partners that we're going to be able to maintain these facilities beyond December? So I think if you look at Page 5 of my remarks, you will see some of those concerns that I have.

And also, licensing has been talked about. We have a licensing procedure that we just went through for one of our stations. It was a nine-month process. Now, licensing sometimes requires engineering, legal, and, of course, FCC review. And we have 78 licenses. So I'm hoping that within the course of the next four months, if we do change to another entity, those 78 licenses could be cleared through that process within that time.

And, of course, I've talked about the COPS grant, which is the \$1.4 million that we're sharing with the State Police.

Thank you very much.

SENATOR GILL: Thank you very much.

ASSEMBLYMAN DeCROCE: I may have one. Will you be around a little bit?

MR. WILLIAMS: Yes.

SENATOR GILL: Senator Van Drew.

SENATOR VAN DREW: Thank you, Chairwoman.

One quick-- What does 101.5 pay for that -- ballpark? Do you know that?

MR. WILLIAMS: I can get that for you. They do lease sites, as well as every single mobile facility in the state. Other broadcasters in Philadelphia and New York use our towers.

SENATOR VAN DREW: So that's part of the revenues that do come in when those--

MR. WILLIAMS: Yes. Our total revenue is about \$1.2 million on the towers.

SENATOR VAN DREW: For everybody using them. Do you know if that's pretty much the market rate -- that we're doing well with that?

MR. WILLIAMS: I'm not the one to answer that. I know we've reviewed our tower leases.

Bruce, about market rate--

SENATOR GILL: If you're not the one to answer it, that's fine.

SENATOR VAN DREW: We'll get it later.

MR. WILLIAMS: It is market rate.

SENATOR VAN DREW: Thank you, Chair.

ASSEMBLYWOMAN POU: Madam Chair.

SENATOR GILL: Assemblywoman Pou.

ASSEMBLYWOMAN POU: Thank you.

Very quickly, I just want to ask a follow-up question to the \$1.5 (*sic*) million -- Federal grant dollars that you referred to with respect to the COPS grant. In the event that that program is unable -- or you're unable to continue that, are we required to pay back any of those grant dollars to the Federal government as a result of our having accepted them under certain conditions, and had to meet certain requirements? The fact that we are obviously not in the position of continuing that, would we be

required to -- would the State be required to pay any of that back to the Federal government?

MR. WILLIAMS: We're not drawing on that -- those funds yet. We believe that the RFP will go out in December, and we'll start drawing on the funds sometime in the second quarter of next year.

ASSEMBLYWOMAN POU: Oh, I'm sorry. I thought I understood that it was a grant that's currently in place and that was--

MR. WILLIAMS: It's been awarded to us.

ASSEMBLYWOMAN POU: I see, I see. Okay.

Thank you very much.

MR. WILLIAMS: You're welcome.

SENATOR GILL: Thank you very much.

Next witness, please.

MR. DONAHUE: The next witnesses -- there are two of them: Mr. Douglas Eakeley, Chair of the NJN Foundation; and Dean Paranicas, incoming Chair of the NJN Foundation.

Come up together.

SENATOR GILL: I'm sorry. The lawyer got the best of me. You're not witnesses, you're invited guests. (laughter)

Thank you.

**DOUGLAS S. EAKELEY, ESQ.:** Good evening.

I was invited back. I'm not-- I was a little nervous about that, but I decided that perhaps the panel might like to hear from Dean Paranicas, who has been Vice Chair of the Network Foundation and is going to be succeeding me next month, hopefully, as the Chair of the Foundation.

I have a few remarks directed at the asset question, but I think it's probably better if Mr. Paranicas leads off.

SENATOR GILL: Certainly.

DEAN J. PARANICAS, ESQ.: Thank you, Chairwoman Gill and distinguished members of the Task Force.

I appreciate the opportunity to testify here today, particularly with my esteemed colleague Mr. Eakeley.

I serve as the Vice Chair of governance for the NJN Foundation Board and have been a Trustee since 2001. I also serve as Chair of the Foundation's Committee on Trusteeship, which is responsible for the selection of our Foundation Trustees.

I have to confess that I am a public television devotee, and value and respect the quality of its programming that engages my mind and uplifts my spirit. More specifically, I love NJN Public Television and Radio. My personal experiences with NJN go back to the early 1970s, when I had the privilege of being on a live television program several times. And since I've joined the Foundation Board, I've also had the privilege of appearing frequently on the fundraising breaks during many of our programs. So I have first-hand experience, and have a deep and abiding respect for the Network and its wonderful staff.

NJN devotes its energies to New Jersey to strengthen social bonds with communities across the State. And as a native New Jerseyan who was born here, raised here, educated here, and have worked here my entire career, NJN -- I have a very strong sense of New Jersey identity, and it reinforces the depth of my feeling about NJN.

SENATOR GILL: And so you know, the Foundation did present an excellent position with respect to that. So if you want to add more, we understand the commitment. There may be more questions that they'd like to ask. We do have your statement. It will be written into -- it will be presented into the record. But those issues of the importance of NJN and importance of the Foundation have already been developed. So maybe we can use our time better by asking you direct questions.

MR. PARANICAS: Certainly. If I may, there are maybe just a couple of points, if I may have the opportunity to emphasize, from my prepared remarks.

SENATOR GILL: Sure.

MR. PARANICAS: As the committee knows, in response to the announcement by the Administration regarding the future of NJN, the Foundation Board -- Trustees of the Board -- together with selected members of the Public Broadcasting Authority, developed what we consider to be a coherent and comprehensive business plan. The plan was intended to map out a future for NJN as an independent, nonprofit entity. And I should add, it was not necessarily that the NJN Foundation would necessarily be that entity. We refer to this entity in our plan, which I know the committee has, as NJN Public Media, Inc.

We felt it was necessary to take proactive measures to find a pathway to secure NJN's future. And in that regard, particularly, that resulted in a layoff of 130 State employees. I want to emphasize that this business plan does not recommend that 130 State employees be laid off. It simply responded to the Administration's announcement of layoffs and was premised on what we believed would be available resources.

What is particularly important, that I'd like to emphasize as well for the benefit of the committee, is the fact that the plan's intent was to be presented as but one possible option to help facilitate this dialogue. It conservatively calculates the amount of money that would be available to NJN with no annual State appropriations, and it offers an initial three-year operating budget and three-year cash flow, complete with spreadsheets and commentary. And I know that there was some conversation with Mr. Eakeley at the first hearing about this. This new operation calls for modernization of processes, tools, and workflows, and stresses NJN's core mission: more and better news, and public affairs programs and projects in one New Jersey-centered programming.

Therefore, if migrating NJN to a nonprofit entity ends up being the chosen model, the core question becomes: Which entity -- which is an independent, nonprofit, charitable organization -- can the State and the people of New Jersey trust to operate NJN and preserve NJN's public service mission to serve the public good.

I respectfully submit that the NJN Foundation represents a worthy, viable, and ready candidate. Allow me to cite several key attributes that support this proposition. The NJN Foundation has a stellar Board of Trustees, carefully and individually drawn from around the state and from many backgrounds. Many of them have been Trustees for more than a decade and have worked tirelessly and selflessly to advance NJN's public service mission. They possess the business acumen to manage the operation, the proven capacity to raise funds, knowledge of broadcasting and knowledge of New Jersey, and a deep and abiding commitment to its welfare.



The NJN Foundation knows and understands NJN's operations and has been a strategic partner with the Authority for nearly 20 years. We believe that, appropriately reconstituted, the Foundation would be well-positioned for a relatively smooth and effective transition, based on our existing organizational structure and ongoing involvement and familiarity with NJN.

The Foundation has well-established strong relationships with foundations such as the Geraldine R. Dodge, the F.M. Kirby, and the Bank of America foundations; and with corporate partners like PSEG, Verizon, and New Jersey Manufacturers Insurance Group, among many others.

As you've heard before, as a fundraiser the Foundation has excelled, raising over \$100 million to support public broadcasting in New Jersey since 1993. And it has also formed innovative partnerships with and secured significant resources from State entities such as the New Jersey Department of Health and Senior Services, the New Jersey Department of Labor and Workforce Development. Additionally, in 2007, the Foundation secured a \$1.5 million Federal appropriation for a public safety initiative that would benefit the people of New Jersey.

The NJN Foundation's education department has deep roots in the education community and has worked with thousands of New Jersey teachers and students, and with libraries and community-based sites across the state, promoting quality learning opportunities for New Jersey's children and adults.

Most importantly, the Foundation Board has the people of New Jersey's best interests in mind. Assuming responsibility for NJN would not be a business proposition for us, it would be an act of true civic duty.

Madam Chairwoman, I think I will conclude reading some of my remarks there and leave the rest. And I would be happy to answer any questions from the committee.

SENATOR GILL: Thank you.

Any questions from anyone?

Senator Van Drew.

SENATOR VAN DREW: Thank you, Chair.

A couple of thoughts: First of all, is there-- If we went to this nonprofit entity, is there any guarantee, is there a lock -- 100 percent lock -- that it would stay New Jersey-centric, that it couldn't vary from that mission, that it would always be a neutral source of news, it would be independent, it would be New Jersey-centric? Is that locked, if that was done that way, without any hesitation?

MR. EAKELEY: The answer is yes. And the way that lock is accomplished is by selecting an organization that's already populated with people who have demonstrated their commitment to New Jersey and to the mission of the Network.

SENATOR VAN DREW: Through the Chair, organizations change, people change, they retire, they move on, other people replace them. Structurally -- I don't mean by the people who are there now. And I know that your mission would be good, and that all of you are well-intentioned. And I thank you for the work that you've done in the past. But what is the structural, organizational lock that that would not change?

MR. EAKELEY: It's accomplished through the bylaws and the certificate of incorporation that commit the organization to the mission as described there, with oversight by the Attorney General, as the Attorney

General has oversight over all nonprofits that are incorporated in New Jersey.

SENATOR VAN DREW: And in your mind that couldn't change?

MR. EAKELEY: In my mind that would not change.

MR. PARANICAS: I would agree, Senator.

SENATOR VAN DREW: Second question, through the Chair, is-- Reconstituted NJN, doing it differently through this not-for-profit-- Just very briefly explain to me why that would be so much better. The motions that you want to put in place, the activities that you want to put in place through that organizational structure-- Why weren't some of them -- did you not encourage, with the Authority and the process that you've had in place, previously? What's going to be so much -- so miraculously better about this?

MR. EAKELEY: I don't think it's miraculous, but it's very significant. The first one is something you heard about just with the last witness, namely the procurement process. As a State-owned and operated entity, the procurement process in a high-tech industry is virtually impossible to maintain. And, in fact, we've had to leave money on the table from Federal grants. But it takes years, literally, to get needed equipment. Secondly, flexibility in personnel -- in hiring, in training, and moving the people. Thirdly, we think that a nonprofit, 501(c)(3), has a greater capacity, over time, to attract more private and civic funds than a State-owned and operated licensee would. And those are the three principle--

The trend has been, nationally, away from state-owned and operated public media services because they are increasingly unwieldy in a rapidly changing environment.

SENATOR VAN DREW: Through the Chair, there's no question about the hiring and procurement process. And I think everybody on the committee would probably agree with that. But there are other ways of actually changing and streamlining that as well.

MR. EAKELEY: There are definitely other ways. And if the Legislature and the Administration were to change those-- We initially came forward with a proposal to continue funding the PBA at an adequate level, but with increased flexibility of operation and personnel. And State funding continued to deteriorate, which is why we came back with a second proposal to go to a 501(c)(3) community-based licensee.

SENATOR GILL: Any further questions?

Assemblyman.

ASSEMBLYMAN AMODEO: Thank you, Madam Chair.

Gentlemen, understanding the difficulty in raising funds, you established-- I believe the Foundation was established in '93.

MR. PARANICAS: Correct. It started in '93.

ASSEMBLYMAN AMODEO: And in time I know you had to grow in size. In reading some of the research material, I saw at one point it started with two employees, and now it has 30. I don't know if 30 still exist. That is a question I have. How many employees come under the Foundation's realm?

MR. PARANICAS: Nineteen?

MR. EAKELEY: Do you think about 19 now?

The number of the employees whose pay is from the Foundation actually work for the Network. But they're Foundation employees, because the PBA did not have the flexibility or authority to hire additional personnel. So if the number is--

Do we know?

MR. PARANICAS: Nineteen.

MR. EAKELEY: Okay. It is 19.

ASSEMBLYMAN AMODEO: Okay. That leads me to my next question. I believe that-- I know through the course of management you have to cut back on payroll and streamline the size of an entity which is costing a lot of money. And we saw that there were hiring freezes implemented as far back as 2006. Yet, I saw, as I read some of the information, that there was administration in the years 2006, 2007, 2008 -- received raises. How can administration award themselves raises when we're trying to cut back in rank and file people -- the individuals who are out there doing the day-to-day work, whether it's behind a camera or doing the production -- not come under the realm of -- not being able to have wage increases?

MR. EAKELEY: Well, I don't know the precise answer to that, but I suspect part of it has to do with having the ability to hire people from outside to come in with the requisite skill set. Part of it is just trying to match increases that the unionized employees receive by virtue of the collective bargaining agreement with the (indiscernible) of the Foundation.

ASSEMBLYMAN AMODEO: So you're telling me that the administration is equal on the pay scale as union people?

MR. EAKELEY: No, I don't know what the-- I have not compared the two.

ASSEMBLYMAN AMODEO: All right. My last question is: If you were able to be one of the agencies -- not-for-profits -- bidding under an RFP for possession, what would be your intent with the existing collective bargaining agreements? And are you in favor of keeping union employees on board?

MR. EAKELEY: The business plan calls for hiring as many of the current workforce as possible who are qualified, and ready, willing, and able to work. But it does not contemplate -- and I don't think it's possible to -- taking over the collective bargaining agreement that is between the State and the union.

ASSEMBLYMAN AMODEO: Thank you.

SENATOR GILL: Thank you.

Senator Ruiz.

SENATOR RUIZ: Madam Chair, thank you.

I'm not sure if you'll be able to answer this question, but you said that you -- the Foundation is helping to fund certain positions over at the Network. To the best of your knowledge -- and if it's not for you, perhaps you can point to somebody else -- are there any other partnering agencies or foundations that are helping -- to be a grant or through joint collaborations -- sponsor any other positions at the--

MR. PARANICAS: I don't believe that's the case.

SENATOR GILL: Under your business plan, you require the State to continue to fund or give you start-up money, correct? Even though we are on TV, OLS can't take the nods.

MR. EAKELEY: Yes.

MR. PARANICAS: Transitional funding.

MR. EAKELEY: Transitional.

SENATOR GILL: Transitional funding.

And it would appear under your business plan that not only would you require transitional funding, but that the State would transfer to you all of the assets of the organization.

MR. EAKELEY: Correct.

SENATOR GILL: And that in the transfer of those assets, the State -- you would not pay the State any money.

MR. PARANICAS: That is what the plan contemplates, correct.

SENATOR GILL: And so have you made at least some kind of ball-- And the transfer, I assume, would include both TV and radio licenses.

MR. PARANICAS: Yes.

SENATOR GILL: And in contemplation of this business plan, do you have a ballpark figure of how much you think the State would have to provide for transitional funding and for how long?

MR. PARANICAS: Go ahead.

MR. EAKELEY: That's a difficult question to answer because of the current uncertainty about the future of NJN. We're less able at the moment to raise funds from the outside, and we don't know when, if at all, a supplemental appropriation will be forthcoming. So we had estimated roughly \$15 million for the first year of independent operation. But I think \$4 million to \$6 million of that needs to come from the State for an appropriate, successful transition.

There are also-- I mean, you heard about the license transfers. That takes a good deal of time also. So the sooner the process gets started -- to whatever you decide -- the more likely it is that you're going to have a viable NJN going forward.

SENATOR GILL: So are you saying that given all the contingencies, the State would have to continue to fund you at a level of \$4 million to \$5 million a year?

MR. EAKELEY: I think for at least--

MR. PARANICAS: At the outset.

MR. EAKELEY: My understanding is that it will take another \$2 million simply to continue NJN through the end of this current calendar year.

SENATOR GILL: But my question -- two picky lawyers together here. And we'll have Ray Brown decide which questions or answers are most relevant.

MR. EAKELEY: As long as they don't cross Sandy.

SENATOR GILL: How much do you project the State-- And this is a question that will be -- that needs to be answered so that considerations can be made by the committee or the person or people to whom we will give the authority to transfer -- sell these licenses. What is a ballpark figure? Is it \$4 million a year? We already know the Governor doesn't want to pay anything anymore. So do you expect the State to invest \$4 million, \$5 million?

MR. EAKELEY: I can give you a crude benchmark, but I think we'd like the opportunity to consult with Chairwoman Manahan and



Acting Executive Director Selinger. But I think the \$4 million, to \$5 million, to \$6 million ballpark is about right for a transition.

SENATOR GILL: Okay. And for how long between \$4 million to \$5 million -- or \$4 million to \$6 million -- would the State have to continue to transition you?

MR. EAKELEY: Hopefully it can be a declining amount, but with the State paying some fee for service, either for the emergency telecommunications network that Assemblyman Giblin was asking about, or with respect to some of the other areas of coverage for workforce development and for education.

SENATOR GILL: So I'll ask a more basic--

MR. EAKELEY: And the lottery. I'm sorry, and the lottery.

SENATOR GILL: I'll ask another question: For how long, at whatever amount, do you think the State would have to supply you with transitional funds?

MR. PARANICAS: As Mr. Eakeley tried to explain, Senator, it would be over a period of a couple of years, as we wind down. The business plan contemplated a three-year initial horizon in order to provide a reasonable opportunity for the Network to rebase and flourish from there.

SENATOR GILL: So are you saying, sir, three years?

MR. PARANICAS: Three is about right. For that initial, three-year model, we would believe-- And as Mr. Eakeley said, as the Network got traction, as we started to be able to be successful in raising money, we believe that that would be able to be brought down.

MR. EAKELEY: I don't want to be heard to suggest that I believe that there is no responsible role for State funding or support of New

Jersey Network. I think it started out with State support, and it would be in the State's best interest to continue that support. But we recognize the fiscal reality that we're living under right now.

SENATOR GILL: Senator Kyrillos.

SENATOR KYRILLOS: Thank you, Madam Chair.

Just refresh my memory on some of the basic numbers, which we probably got into in our first hearing in Trenton. We've appropriated \$2 million this year for the first half of the year. Four million would have been the total if it were for the full year, obviously. What's the total budget for NJN in this fiscal year? Do you know? I know you don't operate it day-to-day. You're raising the money for it.

MR. EAKELEY: Ms. Selinger is up shortly. I think she has those numbers.

SENATOR KYRILLOS: We'll ask her.

I'll be curious to look at your business plan, that you've referenced several times, and how you back into what the number is today from other sources and other efforts.

MR. EAKELEY: I did have a supplement that deals with one aspect of the asset transfer, which basically-- It's in my prepared remarks, and I won't read them. But basically we asked NJN management to look at other states in which state-owned and operated public broadcasting has migrated to a nonprofit, community-based licensee. And there are five examples that we give: the states of Maine, Vermont, Oregon, Hawaii, and the city of Nashville. And in each instance, the migration of the licenses from state-owned and operated to community has gone for no consideration. The assets of the broadcasting organization have migrated,

sometimes with continued state support, sometimes with a phasing-out of state support over some time period. But that seems to be the mode of accomplishing what we're proposing. And I just simply refer the Task Force to my statement for the details.

SENATOR GILL: Thank you very much.

Senator Van Drew, you had another question.

SENATOR VAN DREW: Thank you, Chair.

And as has been said so many times better than I will say it, one of the huge issues we have in New Jersey are these huge markets around us. That's why we keep going back to this New Jersey-centric -- that we don't lose this.

Going back to what you said about an independent, nonprofit entity: I understand that your Board would be committed to that, and that the bylaws that you would put in place would be committed to that. But correct me if I am wrong -- if the Board changes, the bylaws can change. And that focus and that mission absolutely could change. It legally could change. Am I correct?

MR. EAKELEY: I think theoretically yes, but you've got-- In addition to that, you've got your licenses, and terms and conditions of those licenses. This is a public interest license that cannot be transferred, for example, to a commercial use or converted to a commercial use. And you've got a commitment, when you apply for the license, as I understand it, to serve your service area. And it's-- On the one hand it looks a lot less reassuring than having a state-owned and operated entity; but on the other hand, you can get a lot more operation out of a nonprofit.

SENATOR VAN DREW: I believe we have to change our ways in some direction. There's no question. But my concern is that if we do that in a way that, again, doesn't absolutely lock in that New Jersey-centric focus of NJN, somehow, someday we're going to lose it. And I would hate to see that years from now.

And the second question I have, very quickly, is: The dip in fundraising -- and I know you all have done an excellent job in the past -- is that because we've just given up for a little while? Is it because there is no confidence in what the future is going to be at NJN? Are we still working at it? But, I mean, it's significant. What happened?

MR. EAKELEY: We're still working at it. We have what we call a *legacy event* coming up in November. But it is very hard to ask people for money when you can't assure them that the purpose for which they're making the contribution is going to be around or it's going to be in a different format. And, of course, we have also the worst economy that we've had since -- during our collective lifetimes. So it's a combination of different factors. But we are-- Despite best efforts, I would say it's fair to say the fundraising is more or less on pause because we can't see a way to get those funds raised.

SENATOR GILL: Senator.

SENATOR KYRILLOS: Just a quick word on this point of fundraising: First, to congratulate the members of the Foundation, as I did and the Chairwoman did, at our first hearing -- it's a blue chip board of great corporate citizens. And you've done a great job. I've watched you over the years. There's a great deal of commitment. You've done an outstanding job, and I would urge you to keep going. I think we ought to

communicate to New Jersey's corporate community, your Foundation members, other interested parties that there is going to be a New Jersey Network enterprise in the future; that this Legislature is committed to it on a bipartisan basis. I know I can speak for my side of the aisle. And I'm quite certain that the Executive Branch shares that goal, shares that vision. We're not exactly sure what form it's going to take. It will be different, it will be without the kind of taxpayer subsidy that it has been used to, because times have changed, and life is different. But I think people have to realize that we will have a strong entity, and that we do have to fill this void of communicating with the people of New Jersey that the commercial operations don't fill. Because they're not here. We don't have a television station. One of these great oddities of life in America: New Jersey and Delaware not having a commercial television station.

So I hope we can reassure people that while the road is a little bit turbulent right now -- don't see what the end will be -- that we ought to be as aggressive as possible in future events and future fundraising activities, as hard a message as that may be. I think everybody shares that goal on a bipartisan basis; two-branch basis; and, obviously, from the Foundation's point of view.

MR. EAKELEY: Thank you.

SENATOR GILL: Assemblyman, did you have any--

ASSEMBLYMAN GIBLIN: Yes, when you get a chance.

SENATOR GILL: Okay.

ASSEMBLYMAN GIBLIN: Looking at some of my notes about the Foundation -- what your proposed plan -- the method of selecting Trustees or Board members. How will that be done: through some type of

nomination committee? I mean, how will the interest of the State be protected? Will it be legislators on this board? Will the Speaker of the Assembly or the President of the Senate be able to appoint some members to make sure that the State's interest is protected?

MR. PARANICAS: Well, I think that, Assemblyman, those kinds of considerations would be part of the discussion based upon, as I mentioned-- When I mentioned reconstituting the Foundation, for example, the Foundation's current structure is derived through legislation from the Public Broadcasting Authority. So, obviously, in the process -- if the Foundation were considered to be a worthy successor organization, we would look at all of those issues and explore how we could address those interests and concerns in terms of how the Board would be structured. It would clearly have, as it does now, a nominations committee and the customary standing committees that do the business of the Board, in terms of making sure that Trustee selection is done and is adequately representative of the State of New Jersey, as it is right now.

ASSEMBLYMAN GIBLIN: With the current employees -- the way I'm interpreting the remarks that were presented here -- all of these employees are going to be terminated, I guess, beginning next year. They would have an opportunity to apply for positions.

MR. PARANICAS: Yes, absolutely.

ASSEMBLYMAN GIBLIN: And what kind of criteria would you have for that? Would there be anything with seniority, or would their past service with NJN mean anything? I mean--

MR. PARANICAS: I think all of those considerations would be part of the mix in terms of how we would -- how the Foundation would look

at the needs of the Network and align it with the skill sets and the experiences of the staff, in terms of who would be selected to work. And as we indicated earlier, the plan contemplates a sizable number of positions at the outset.

ASSEMBLYMAN GIBLIN: So the new Foundation -- you wouldn't necessarily assume the existing contract, then, that's at NJN with the bargaining unit.

MR. PARANICAS: I'm not sure that we could. Even if the Foundation wanted to, I'm not sure that it could.

ASSEMBLYMAN GIBLIN: Well, if you hire the employees; and the employees were members, hypothetically, of CWA and they showed you cards; they wanted to remain CWA members--

MR. PARANICAS: That would be a new relationship though. In response to your question: Could we assume the contract? No. But that would be a different scenario if that occurred.

ASSEMBLYMAN GIBLIN: How much money was collected by the Foundation this year, I guess, ending June 30?

MR. PARANICAS: I believe it was approximately \$6 million, Assemblyman.

ASSEMBLYMAN GIBLIN: And you have 19 staff people. Is that correct -- what I heard?

MR. PARANICAS: Yes.

ASSEMBLYMAN GIBLIN: Raising \$6 million?

MR. PARANICAS: Yes.

ASSEMBLYMAN GIBLIN: What's their salaries in aggregate?

MR. EAKELEY: I don't know the answer to the last question, but the 19 employees whose salaries are paid by the Foundation don't all work for the Foundation, as far as I know. I think we have a--

Excuse me if I may--

ASSEMBLYMAN GIBLIN: That's all right.

R O N N I E W E Y L: There are-- The whole Foundation is dedicated to development.

MR. EAKELEY: This is Ronnie Weyl.

SENATOR GILL: No, no, no. We're not going to conduct it this way.

MR. EAKELEY: Okay. Sorry. I don't know the answer.

ASSEMBLYMAN GIBLIN: I'm just trying to get at this issue. A lot of times you hear about 501(c)(3) organizations. And a lot of times the public donates to these entities, and they're always concerned about the bottom line, and how much actually goes for the benefit of the respective charity or organization. So I'm just trying to get a sense of NJN in recent years. In other words, you're collecting \$6 million, \$7 million, \$8 million. How much is actually going for the benefit of the station? I mean, we're talking about after you pay overhead and administrative costs.

MR. PARANICAS: You mean in terms of how much is delivered both directly and indirectly from the Foundation to the PBA?

SENATOR GILL: Wait a minute. I see that someone has joined the table. We will have you identified for the record. And if you are the person who can answer the question, we will let you answer the question. And we won't have to have the back and forth.

Thanks.



Identify yourself for the record, please.

MS. WEYL: Thank you.

My name is Ronnie Weyl, and I'm the Chief Operating Officer for the Foundation.

SENATOR GILL: So we will direct the questions to you.

ASSEMBLYMAN GIBLIN: Just getting back to what I said-- I think you get the gist of what I'm trying to say. How much you collected, what was the overhead, and what was the benefit for the station?

MS. WEYL: For the past 10 years, it's been, on the average, \$0.70. So it costs \$0.30 to raise \$1. So \$0.70 of value goes to the Authority in direct cash money, as well as services we provide. So, for example, several years ago the Secretary of State at the time indicated that we had to eliminate the education department. Education is at the heart and core of public television. So the Foundation assumed that position. And so that is a salary that normally the Network would be providing, but the Foundation covers that.

There are two people who actually do production. They do on-air promotional spots for the Network. And we tried to have those positions transferred over to the State. They actually-- I believe they wanted to go to the State. And at the time, there was a hiring freeze, so we have not been able to have those positions moved to the State side. So the Foundation covers that service, because we need to promote what's on air.

Our Marketing Director -- I would say 95 percent of her time is devoted to promoting NJN's programs on air. And that's a position that, at one time, had been on the Authority's side. It is now on the Foundation's side. So there are many services like that -- that if we were not paying for

those expenses, the Authority would be. And so in that respect, that's how we divide it. And we've gone through several review processes to make sure that we could look the donors in the eye and say, "Your investment is going to support public broadcasting services. And \$0.30 is to just maintain the operations. That's administrative costs."

At one point, when I was doing just public affairs, for example--

SENATOR GILL: What we're going to do, because we have a lot of people.

MS. WEYL: Yes.

SENATOR GILL: We understand the gist of what you're saying.

Do you have any further questions, Assemblyman?

ASSEMBLYMAN GIBLIN: Well, I'm trying to get at this issue-- If you raised the money you raise -- and in your business plan for this year it talks about only raising \$2 million. I'm just trying to get a sense of what kind of assurances we have that you're going to be able to raise the adequate money that's needed.

MS. WEYL: We looked at the budget for this first six months. And a good amount of our fundraising actually occurs in the latter of six months. But we were told to just do a six-month budget, because the PBA only did a six-month budget. And so we based, on the events-- For example, we have a very big event in the spring. Last year we raised \$750,000. That event comes in May or June. So we don't have that money upfront in the first six months. So we anticipate raising a certain amount and making an award to the PBA for the first six months. And if we continue, we would continue working hard.

I do want to say that the Foundation is committed to working harder than ever to demonstrate the public value.

SENATOR GILL: We understand that.

MS. WEYL: Okay.

SENATOR GILL: We're not disputing that. I think we're just trying to get some facts. We're not disputing that at all -- that you work hard, and you'll work harder.

ASSEMBLYMAN GIBLIN: What's the current assets of the Foundation?

MS. WEYL: They're nominal. I will have to get you the exact number. But the equipment-- We have--

ASSEMBLYMAN GIBLIN: I'm talking about the cash. I'm not talking--

MS. WEYL: Oh, the cash. I'm sorry. At this point, it's, I believe, \$1.6 million. So we have a fund balance of \$600,000. We had actually accumulated funds in a reserve, and it reached actually \$4.5 million. And that money was in reserve for a rainy day if the Network ever needed it or if the Foundation ever needed it. Because every year we start with zero, and so we have to make sure that we have operational money to draw down on. Over the past several years, we've been making supplemental grants to the Authority to support their efforts to make sure that no one had to get laid off and that programs could continue. So one year it was \$800,000 in addition to the normal \$3.5 million. And then last year we gave an additional -- I'm sorry, not in '10 -- in '09, \$1.5 million. So the money has come down. Even at a time when things were very tight, we drew down on -- we cut our expenses by almost \$1.4 million to make sure

we could get money over to the Authority. And so right now we have about \$600,000 in a fund reserve. But our total assets are enough to cover any of the obligations that we have to the Network. And we still have money that we owe from last year. So we're making regular payments. So it's a matter of the cash flow. But we're committed to honoring those commitments and then working -- this period of time. We do have the fund reserve, though, just in case we have -- if the Foundation shuts down.

ASSEMBLYMAN GIBLIN: So for this current fiscal year, what's your commitment? I'm trying to-- I'm getting a little bit confused about the 1.6 and what you--

MS. WEYL: The first six months, our commitment -- our goal is to award the PBA \$775,000; and then the second half -- it's about \$1.2 million. That's the goal. If we make more, more would go over. And we are working extremely hard to make sure that we can do that.

ASSEMBLYMAN GIBLIN: So that's \$2 million. So what will that leave you on top of that?

MS. WEYL: Well, our expenses are about a million. Last year our expenses were about \$700,000. So what we did-- We anticipated how much we could make through membership, corporate underwriting, our legacy event, our major gifts effort, and our projects coming in. We based those resources with what we knew our expenses would be, and that's how we concluded that we could make the gift of \$775,000.

ASSEMBLYMAN GIBLIN: Are you going ahead with planning your events for the spring, or have they been called to a halt?

MS. WEYL: We have been under discussion. We want to start planning. We have the site, we have some honorees. We've started to talk

to some people. They ask what the future is, and we tell them there will be a future. We're not sure what it will look like, but there will be an NJN. So our commitment is to just proceed, absolutely. And we're doing a lot more integrated marketing, so we're going to be doing more on-air spots to let people know what the situation is, and being very creative at this time.

ASSEMBLYMAN GIBLIN: Have you lost any of your major sponsors?

MS. WEYL: No, but some sponsors have indicated they didn't want to give the full amount for the full year, as they normally would do. And so they're giving quarterly payments through December. Some funders, particularly in corporate underwriting, are saying, "We're interested, but we're just going to wait and see." So it makes the ask a little more challenging, but we're making the ask, and we're telling a very compelling story. And this whole effort has just brought to light the need for public television and public radio. And I think, if anything, there has been a groundswell of support. And so it's helping us in a sense because it's raising the visibility of NJN in a really important way.

ASSEMBLYMAN GIBLIN: Have you gone to the general public about trying to raise money? I mean, in other words, it seems to me that everybody knows we're kind of in a crisis mode here. If people enjoy NJN, they're going to have to start writing some checks.

MS. WEYL: Yes, we have a direct mail campaign. And so we're letting people know, "You might be reading about change. This is your time to show your support. We need it more than ever." We're doing things like pop-ups on the web site. We're revamping our fundraising web site to make it easier to give. We're going to start launching, again, on-air

spots in October -- some kind of major pledge drive where we really reach out to the community and let them know. We're talking about doing a newsletter and end-of-the-year campaign. So we're being very aggressive about this, and telling people that now is the time to kind of join the bandwagon and demonstrate to the people who are making the decisions that NJN is such an important treasure to the state.

ASSEMBLYMAN GIBLIN: Well, two years ago you raised almost \$9 million in the Foundation, I'm told. So I'm just trying to understand. Going forward, we've got six or seven months left -- the way we're going -- what do you project is a goal for this year?

MS. WEYL: For this year?

ASSEMBLYMAN GIBLIN: Well, first of all, did we raise close to \$9 million?

MS. WEYL: We did for several years. It went from-- It started at \$3 million, and it went to \$4 million, \$6 million, then it got to the \$7 million, \$8 million, and then for three years in a row it was \$9 million.

I do want to read a statement from the *Chronicle of Philanthropy* in June 2009 where it reported that the economic recession has created havoc for nonprofits.

SENATOR GILL: Wait. We have lots of witnesses, and so we're trying to keep this--

MS. WEYL: I share that--

ASSEMBLYMAN GIBLIN: Just one final-- I'm just trying to get a projection of what she thinks.

MS. WEYL: I just share that with you to put it in context.

ASSEMBLYMAN GIBLIN: Everybody knows.

MS. WEYL: Okay.

ASSEMBLYMAN GIBLIN: But your projection for this current year.

MS. WEYL: Our projection for this current year is very conservative, and it's about \$5.5 million. That's not to say that we won't want to exceed that. But we looked at the environment, and we looked at the uncertainty. And we have been talking to some people who are expressing a little bit of anxiety. And so we're just hopeful that any decision that's made will really solidify the future pathway. And then we would be that much more aggressive. And we believe that we will get back to -- we will get to that again and beyond. So we're very optimistic.

ASSEMBLYMAN GIBLIN: Thank you.

SENATOR GILL: Any further questions?

Senator Kean.

SENATOR KEAN: Thank you, Chair.

Gentlemen, under the business plan that you've been speaking about, I think it's fair to assume that millions and millions of dollars, of both taxpayer and Foundation assets, would be transferred to the new business entity. Is there anything contemplated, any mechanisms in place that would safeguard the interests of the taxpayers who have subsidized these assets over the lifetime of the Network, from the licenses, to broadcast, to the cameras, to all the technology?

And let me just throw out a terrible doomsday scenario: The station fails under the new business plan -- it fails, and it doesn't succeed. You're still holding on to millions of dollars, theoretically, of taxpayer-

funded assets. Are there any safeguards, from the public's perspective, as to what would happen to profits, assets?

MR. EAKELEY: Well, I think the best safeguard for retaining the value of the taxpayer-financed assets is to assure some entity the operational ability to continue to grow NJN as the Public Media Service. That's how you get value back to New Jersey residents and taxpayers.

Secondly, in terms of safeguarding in the event that the new *entity* -- we'll call it -- fails in its mission, there should be some recapture provisions so that the licenses don't get sold off at auction or whatever, but revert to State ownership.

SENATOR KEAN: Through the Chair, just if you could explain the first aspect of it. I didn't understand that. So that the public broadcasting component of the new entity would spin off dollars that would flow back to the State?

MR. EAKELEY: No, it's just by using the assets for the purpose for which they were initially purchased and acquired, you're giving value. And by operating a public service media that's accessible to everyone in New Jersey, you are-- That's your contribution as NJN. And that's the best way to safeguard the assets to make sure that they're put to their intended use for the benefit of the people of New Jersey.

SENATOR KEAN: By using the analogy, perhaps, of stranded assets when energy was deregulated in the State-- Conceivably, under a nonprofit we could have the employees of the new entity making millions of dollars in salaries -- and the public certainly being served by the use of the cameras, and the licenses, and all of those things. But that's my concern -- is that at the end of the day, whatever this new entity is, we would have to



address that side of it -- the safeguarding of the public investment. Because, really, the new entity is getting a windfall. There's no question about it. It's an investment in the public, because we want to make sure that the new entity focuses on New Jersey news and New Jersey events. But there has to be a balance between the control of the new entity and the investment that was made by the public, historically.

MR. EAKELEY: Sure.

SENATOR GILL: And I know you won't be able to answer that, because there are certain legal impediments to mandates. We already went through that. And there are certain FCC and constitutional issues where you cannot transfer the license and indicate who should be on the board of directors. So we will have those explored. And we have the other information with respect to those issues.

Any other questions, or we can-- (no response)

Thank you very much.

MR. EAKELEY: Thank you.

SENATOR GILL: Thank you for your testimony.

MR. EAKELEY: Actually, might I just thank the Task Force here? Your commitment has really been inspiring, and we appreciate all the hard work and thought you're putting into the future of public broadcasting in New Jersey.

SENATOR GILL: Thank you very much.

Next witness, please.

MR. DONAHUE: The next invitee is--

SENATOR GILL: Next *invitee*. (laughter)

MR. DONAHUE: The next invitee is Mr. Raymond Brown, host of the NJN program *Due Process*.

SENATOR GILL: Good evening, Mr. Brown.

**RAYMOND BROWN:** I'm glad you changed from *witness* to *invitee*. I was heading the other way. (laughter)

I would ask one thing -- and I understand that you are -- have a complicated task. My producer Sandy King is with me. Could she join me here?

SENATOR GILL: Do you need the security of that? (laughter)

MR. BROWN: Oh, I need it.

SENATOR GILL: Please come forward.

MR. BROWN: Although I may regret this, because I may not get a word in edgewise.

But there is very little difference between us, and I know you have many people. I'll go first, lest I never get to speak again. (laughter)

Thank you, Madam Chair and other members of this Task Force, for inviting me here. And I'm here-- For me, it's an interesting position, because I'm a citizen who was drafted by Sandy King 16 years ago to participate in what was, then, an experiment. And from my point of view, it's worked out with extraordinary success. And I can say that because of her skill and energy, and that of the other folks at NJN and the very tiny team she's shepherded through the years -- have really been the key. And I'm little more than a puppet on a string.

We did-- I did have two points that I wanted to urge upon you. And I respect the complexity of your task. Some of you I know personally and understand your commitment. And others of you I've read about and

followed closely. So I understand your commitment and the complexity of the task.

But our concern is two-fold. Number one: We think public policy programming of a high quality, directed at New Jersey and about New Jersey's interest, is essential. And whatever you do, we'd like that to be preserved. And we say that pointedly because we think that, for example, a migration to a New York-based entity is the death not only of *Due Process* but of anything like it. What we've constructed here is really unique in the country. You know, we have 14 Emmys, if you'd like to talk about--

**S A N D R A   K I N G:** Fifteen. (laughter)

**MR. BROWN:** I'm sorry, I forgot. I told you what would happen.

The thing about regional Emmys is, some people in North Dakota, or San Francisco, or Texas are the ones who decide what Emmys are -- come from a nominated group. So it really is a national acknowledgement and recognition.

And things happen like-- We had a fundraiser a couple of months ago, and Chief Justice Poritz pronounced herself a *Due Process* groupie, because we've had Associate Justices, former Chief Justices of our Supreme Court -- arguably the most respected court in the country, who do not talk to the press and do not do publicity -- come on *Due Process* because they know we're about serious issues, concerned with New Jersey, and it's a format that develops issues in a way that's accessible to every citizen in New Jersey.

And that's been true about members of the bodies that you belong to. We've had-- I don't know what the collective is for legislators, but we've had a bevy of legislators who have joined us. We've had members of the President's Cabinet, but always people like Mr. Chertoff, with New Jersey roots; or Surgeon General Elder, who talks about issues related to New Jersey; but also folks who are not public figures. At our last show we had a sister of one of the young men slain in Newark who -- where the perpetrator is, we think, about to come to trial. And we talked about the policy issues.

And my experience has been -- and this has been remarkable -- I can't get on New Jersey Transit, I can't walk down the streets of Newark or Woodbridge and not have somebody stop me who doesn't know me, but immediately launches into a discussion about grandparental rights, adoption issues, Megan's Law. Because folks care about policy. And I have to tell you, it may not be everybody in public life who wants an informed citizenry, but I know enough about all of you to know that you understand and care about the fact that an informed citizenry is the heart, the essence of what constitutes a real Republic.

I might add, in terms of guests, that the now-Governor, who probably doesn't seem to care about our existence anymore, was a frequent guest on *Due Process* when he was a United States Attorney, talking about gang issues, and terror, and other issues.

I'm serious about this, because we've succeeded in creating a place, a space, where issues about our state -- the lifeblood issues in our state -- are talked about by and for ordinary folks, and including experts who we have balanced views-- I think we've had as many Republicans as

Democrats who -- from public officials. We've had people from a wide variety of perspectives. And I think that a good job has been done. And I think, understandably, the wonderful work that New Jersey news has done has been much subject of discussion. But public policy gives us a chance to do, in-depth, an issue that Michael Aron might only be able to do whenever it's current in the news. And we've been able to do it in ways that we think are creative, that have been recognized around the country, and that have done a real service to this state. And we think that while words like *migrate* sound kind of neutral-- If this migrates to New York, to be specific-- I mean, when was the last time you saw something on Channel 13 that was a serious look at issues in New Jersey?

SENATOR GILL: *Caucus New Jersey.*

MR. BROWN: I'm saying that because I want to be direct with you about what our concern is. Is it a selfish concern? As a citizen who's had the chance to do this, I'd like to do it some more. But I do it because it seems to me to be something of extraordinary value and because it gives us lots of feedback -- but a chance to participate in issues that are the lifeblood of this state. And whether it's Sandy and myself, or somebody else, it's not going to happen if this license is not firmly rooted in the State. And it won't happen if there isn't some time within which we can survive.

The one last point I will make-- And I can-- You know, if you know somebody well, you can feel when they're being impatient and that you're talking too long. And that is the-- We have raised about-- And when I say *we* it's really me talking in Sandy's ear, and her doing all the work and cajoling of-- Sixty to 70 percent of the moneys that we have needed -- and in what we think might be a more streamlined version --

essentially would be self-supporting. That's a remarkable thing. And it's from entities like the Bar Foundation, which, despite its own struggles, has stayed with us; the Fund for New Jersey; even the Law Diary for a while. And what's interesting is that they've never said a word to us about programming, except once they asked us to do a show about bullying. That's it. And so that's a remarkable kind of intellectual and journalistic freedom. It's a remarkable commitment to public policy issues -- some of which other people don't talk about, because they would be impossible to do in commercial television, and they're not always popular subjects or easy subjects. But we think it's essential to the intellectual and political life of our community.

And we wanted very much to have a chance to appear before you -- we know you have some incredibly complex fiscal and structural issues to decide -- to talk about the mission. As Madam Chair mentioned at the beginning, and as the modifiers of New Jersey-centric have pointed out, we think we do it in a special way. And we think that if extraordinary care isn't taken in creating a solution, we are as vulnerable as a newborn babe -- and not us as individuals, but the idea we represent that public policy programming can be done in an imaginative way, and that the key issues in the state can be talked about in a way that helps us all become educated about them. And it would be a great loss to our state not to do it.

And sandwiched in with all the other complex issues you have to decide, we hope is a commitment and a care to figure out a way to make that happen.

SENATOR GILL: Thank you very much.

MR. BROWN: Sandy, why don't you go?

MS. KING: I don't think Raymond left anything out.

If you have any questions about *Due Process* or the work we do and have been doing for over 15 years-- I, by the way, am a 33-year employee of NJN. And for me, personally, it's been my entire adult work life. And it's been a mission. It's been something I've taken very seriously.

So many of us who could have moved to commercial TV and made real money stayed with what we do because there's no place else that you can do it. And NJN has offered me, for 33 years, a unique opportunity -- in the last 15 working with Raymond. It's been really the work that I believe in and that makes my entire history worthwhile.

SENATOR GILL: Thank you very much.

MS. KING: I hope that you'll make it possible for us to survive. And that means some transition and a good choice in terms of where you send us.

SENATOR GILL: Thank you.

Any questions?

Senator Van Drew.

SENATOR VAN DREW: A quick one: How do you feel--

And I agree with you. Do you feel comfortable -- and I know this is a hard question -- but with a not-for-profit? Do you think that model-- Would you feel comfortable with that, or do you have concerns with that?

MR. BROWN: We've tried to be carefully agnostic on this question, but we do think that the kinds of safeguards--

SENATOR VAN DREW: That's interesting. (laughter)

MR. BROWN: Well, the kind -- because this is complex. But the kinds of safeguards that you were talking about in your questions to Mr. Eakeley are important. I don't know how you do that. But if you're satisfied that there are safeguards that keep this New Jersey-centric, we think that that would be a fit that would work.

I do want to point out that in looking at some of the materials submitted by the folks who call themselves *staff* -- and I guess they think of organized labor -- some of the remarkable ideas about cost savings there and about administrative efficiency really have to be looked at as well. And so when I say *agnostic*, I don't-- I'm not running for office. There's nothing anybody has threatened me with or could do to me that's harmful. In fact, I've had great relationships on both sides. I think that it is possible to come out with a creative solution to this that picks up the valid ideas that are (indiscernible) -- at least sort of competing New Jersey-centric concepts that could work here. My great concern has been something outside of New Jersey. But also, it's not the transition time to find a way to work through these competing ideas.

I mean, the staff people who have supported me-- I mean, I started out never having been in front of a camera. And you can imagine, despite Sandy's comfort and assurances, that having people who are professionals, who treated me, again, like a new born babe until I kind of knew a little bit about what I was doing, is remarkable. And I would hate to see those people disappear or not be part of what we do.

SENATOR VAN DREW: Unfortunately, the easy focus to lose would be the New Jersey-centric focus and the public-policy focus.

Thank you.



SENATOR GILL: Any questions from anyone else? (no response)

Thank you very much, both of you.

MS. KING: Thank you.

MR. BROWN: Thank you.

SENATOR GILL: Next witness, please.

UNIDENTIFIED MEMBER OF TASK FORCE: The Task Force calls Task Force invitee Janice Selinger, Acting Executive Director of the Public Broadcasting Authority.

**JANICE SELINGER:** Thank you.

Is this the mike? (referring to PA microphone)

UNIDENTIFIED MEMBER OF TASK FORCE: No.

MS. SELINGER: The other one. Okay, great.

I do have a few brief remarks, and then I can certainly answer questions.

SENATOR GILL: And since you've already spoken before, and you're here again, it's going to be brief, succinct, because we have other people.

MS. SELINGER: Absolutely.

SENATOR GILL: Thank you.

MS. SELINGER: I did provide the Task Force with a couple of different reports. The first was in response to models that might be relevant for NJN. We did speak to a number of general managers. And these are conversations that we continue to have and that we've had in the past as well.

The second is in response to the request that the NJPBA offer a plan for the future. I've prepared a Revitalization and Stabilization Plan that includes and builds on some of the best-practices information that we've gathered, as well as some short-term and long-term revenue-generating ideas that came from the NJN staff, the Foundation staff, the union, and management.

And basically the goal is for NJN to become what we've all been talking about: a self-sustaining asset. And based on some of the conversations during the past two hearings, we did explore actions NJN could take if the State chooses to retain the FCC license or transfer it to another entity. And I would be happy to talk about some of that if the committee is interested in exploring that further.

Ronnie Weyl did talk about some of the initiatives that we're working on to try to generate some more revenue. And basically one of the things that I'm particularly excited about is doing something like what Maryland Public Television did -- to really get on air and talk about our value and the need at this particular time. And they were able to raise \$300,000 through a pledge drive. So we are planning this for October to be part of that integrated, end-of-year giving campaign.

The State could also really be helpful to us by enforcing the Circular Letter 97-11-OMB that instructs fiscal officers and procurement managers from all State agencies to offer NJN the opportunity to bid on any film or video project with a budget of \$10,500 or more. NJN has successfully produced a number of projects for State agencies over the years. But it would be extremely helpful if members of the Governor's Cabinet could encourage people to follow this Circular Letter.

Our revenue-generating efforts, as Ronnie and others have talked about, have also been hampered by the uncertainty about our future. I think all of us feel if we knew which direction we were going, it would make things easier. Although we are-- In my role of being in this position, we are going to aggressively -- and I talked about it the last time I was up here -- look for some additional revenue to generate even more.

Assemblyman Greenwald asked about ideastream. And part of the report dealt with that. One of the things they do is, they have something called the *Ohio Channel* that covers the state legislature and the supreme court. And they actually get funding for that from those two entities, as well as the fact that the equipment was paid for by the state in order to do that broadcasting.

Connecticut Public Broadcasting has a really innovative thing, where they have a building that has excess space, and they've been able to work with a local school and have some of the students, who are seniors, who are going to actually be going to school in the building. And they generate some revenue -- between \$5,000 and \$6,000 a student for that. And that's something they've gotten some funding for, as well as an after-school program.

And what's interesting is, in today's *New York Times* -- I don't know how many of you have seen it -- but Twin Cities Public Television had a very nice write-up in the business page of the *New York Times* today about one of the projects that they've started working on, which was in my report as well, which is dealing with baby boomers and doing things online.

We believe that there is opportunity for some future revenue generation, as well as some of the other things that we talked about. And

one of the things we'd like to explore is mobile applications, because mobile TV works best with UHF signals. And we believe there might be a possibility of leasing some UHF space for mobile applications to stations in New York and Philadelphia that have VHF that would need this capacity to be able to do mobile applications. And there are some other things that we'd like to explore about doing that in the future.

Certainly we know there is-- We've heard there is no money out there for us -- additional money. But we also heard there might be some supplemental State appropriations or seed funds. And we would love, if that opportunity was available to us, to preserve the long-term investment that we've already talked about that has been made for NJN. And we really thank you for your thoughtful consideration of the future of NJN.

I was-- I think there was some talk about our budget. I could give some information on that if you were interested in me providing that at this point.

SENATOR GILL: Are there any questions?

SENATOR VAN DREW: Madam Chair, very brief. I know it's late, Chair.

I just have one brief thought. And I guess it isn't even a question to you, but it's just a statement -- a little bit of a question. There isn't any plan out there that any of us have heard, other than completely unloading the station, that doesn't require -- it actually speaks to your budget issues -- some sort of State subsidy or State help in order to continue the station. That's the bottom line here.

MS. SELINGER: Well, what we are proposing--

SENATOR VAN DREW: Is that correct?

MS. SELINGER: It is. But what we are proposing is that it might, in fact, be a challenge kind of grant to be able to get out there and get others to support.

SENATOR VAN DREW: And I don't blame you for that. I'm just trying to be-- Let's be real clear here as we go forward.

MS. SELINGER: Sure. I mean, we have a six-month budget right now that was approved by our Board that is \$9.67 million in expenses and \$6.84 million in revenue. So there was a \$2.82 million shortfall through the end of December, which we're working with the Treasurer to resolve.

For the full year, we anticipate \$17.8 million in expenses and \$12.2 million in revenues, for a \$5.6 million shortfall. Although with some of the documentation that I provided in the report I submitted, we really feel that with some aggressive fundraising-- And I had a whole long list, again, that came from not just my office, but from the staff and the Foundation, to go out and look for different sources of revenue. We believe that we might be able to cut that to \$2 million for the second half of the year.

SENATOR VAN DREW: Through the Chair, I just didn't get to finish the question. And the question would be: What are the conversations you've had with the Treasurer? Have you had any detail to that at all?

MS. SELINGER: No, we've just been told, the end of the year -- that we will be working towards that goal, and that there are no specifics as far as going forward; but that there is anticipation that there might be

some seed funding that would allow us, obviously in some entity, to continue -- whether it's continuing as we are or as a nonprofit.

SENATOR VAN DREW: And that seed funding idea was from the Treasurer? (affirmative response)

Thank you.

SENATOR GILL: Senator -- Assemblyman-- If you were the Senator, I wouldn't be the Senator, since you're from the same district. I'm going to get this title right. (laughter) Assemblyman Giblin.

ASSEMBLYMAN GIBLIN: I'm trying to understand your two roles. Explain that to me.

MS. SELINGER: Well, the Acting Executive -- well, the Executive Director. I'm the Acting. I've been appointed the Acting Executive Director.

ASSEMBLYMAN GIBLIN: We got that point.

MS. SELINGER: The Executive Director of the PBA is also the Acting President or the President of the Foundation.

ASSEMBLYMAN GIBLIN: Do you feel that's a conflict?

MS. SELINGER: Do I feel it's a conflict? That's the way it's always been set up.

ASSEMBLYMAN GIBLIN: Maybe I'm putting you on the spot, but I will give you an example. You go to any area hospital, the chairman of the board of trustees of the hospital is not the chairman of the board of the foundation. It's really kind of a separate and distinct entity, only with the idea to live up to the mission statement. For example, in this case, the Foundation -- that they -- there's a little bit of an arm's length between both sides. It kind of occurs to me -- being a conflict. And it's

nothing against you personally, but it just -- to make sure that there's not competing interest.

MS. SELINGER: I don't know that I would say, per se, it's a conflict. I think over the years there have been conversations about whether there should be two jobs and whether there should be somebody in there. Because sometimes people have skills as fundraisers and other people have skills as broadcast executives. So I think that that's something that has been discussed over the years. But this has been the traditional role -- one person serves in both roles.

ASSEMBLYMAN GIBLIN: Okay.

SENATOR GILL: Any other questions?

Assemblyman.

ASSEMBLYMAN DeCROCE: I'd like to get back to the engineer's -- some of the engineer's answers, frankly. He indicated that it costs approximately \$20 million to go between digital and then high definition. That's what I thought he said.

If that's true, what I want to know is-- You also belong to Neilsons. Am I right?

MS. SELINGER: Yes.

ASSEMBLYMAN DeCROCE: But you don't have the numbers of how many people watch the station at any given time?

MS. SELINGER: No, we do have numbers. We can get back to you and provide some specific numbers. We would have to go back and check them out. I mean, the issue with Neilsons is-- Because we are in the number one and number four market, and New Jersey does not have its

own media market, it's always been a challenge to have really accurate numbers. But we do have Neilsons numbers, and we can report that back.

ASSEMBLYMAN DeCROCE: What I want to understand is, if you felt, by virtue of the numbers -- if the people who operate the station felt it was certainly worthy to spend as much as \$20 million to go forward on the digital as well as the HD. Because in these tight times -- these last couple of years -- if you invest in that knowing full-well the money is not there-- I'm just concerned as to why we spent that kind of money on what probably is a worthy investment at kind of a tough time?

MS. SELINGER: Sure. I think Ray Brown referred to this, and I think other people have said it as well. I don't think the numbers-- Neilsons families -- it's not everyone. You get selected to have the Neilsons box in your home or a people meter -- it's not everybody. There are a lot of people out there who are probably watching NJN news or NJN programming that are not being recorded in the Neilsons ratings.

I also think that we-- I think there's a lot of talk of us being a business. We really are a public service. And we're providing really quality content that other people are not providing. And it's information about New Jersey, and it's important information. So if you're just going to look at it as the numbers, we're not *American Idol*. I mean, that's for sure.

ASSEMBLYMAN DeCROCE: No, but you are working with taxpayer dollars.

MS. SELINGER: Absolutely.

ASSEMBLYMAN DeCROCE: And I'm not being critical. I'm just saying you're getting public funds to enhance your station. I just want to be sure we know that you're spending it properly, and not improperly.



MS. SELINGER: Oh, I think we're absolutely spending it properly. And we have really -- our engineering department and others have really worked very hard with the revenue that was available for equipment. We haven't had capital equipment funding in a number of years. I mean, there are a number of states that provide specific funding for equipment. I believe 2008 was the last time we got an appropriation that was used for some of the capital equipment. So I think we're really doing quite a bit with what we have.

And one of the proposals that I put forth -- which I mentioned before -- was to try to identify, through a capital campaign, money to be able to get about a million dollars for NJN news, and be able to get new equipment and be able to really produce very efficiently.

ASSEMBLYMAN DeCROCE: Another thing in your programming-- I know you program 24 hours a day. Is it absolutely necessary from 12:00 to, say, 6:00 in the morning to have programs on? In many cases they're either educational, in some cases, and they're different types of programs. It's hard for me to understand that people would get up at 3:30, 4:00 in the morning to look at an educational program.

MS. SELINGER: Actually, funny enough--

ASSEMBLYMAN DeCROCE: And when you do that, by the way--

Excuse me.

MS. SELINGER: Sure.

ASSEMBLYMAN DeCROCE: When you do that, I assume you have to have a producer there, an engineer, the whole thing.

MS. SELINGER: Well, not a producer. I mean, there are master controllers running overnight. But, yes, it's-- A lot of that is automated.

ASSEMBLYMAN DeCROCE: I'm not a TV guy. I don't understand that stuff.

MS. SELINGER: No, no. No problem.

Funny enough, overnight ratings sometimes are very high. I mean, our Programming Director will look at things. There are people, probably like me, who get up in the middle of the night, turn on the television and watch. So I think we do get people who enjoy tuning in and watching television overnight, and doing that as well.

In addition to that, because of the emergency broadcast need for NJN, we really do have to have that 24-hour operation. It's because of that as well.

ASSEMBLYMAN DeCROCE: Thank you.

SENATOR GILL: Any further questions?

ASSEMBLYWOMAN POU: Madam Chair.

SENATOR GILL: Yes, Assemblywoman Pou.

ASSEMBLYWOMAN POU: Thank you.

I was touching this button, so I don't know if it's on or off here.  
(referring to PA microphone)

Thank you, Madam Chair. Through you, I just wanted to mention -- ask Ms. Selinger if she would-- There's been a--

You've made a number of different suggestions now, and I'm just wondering what has prevented you, as well as the family of NJN, to be

able to put in effect and propose some of the suggestions or changes that you're now describing?

MS. SELINGER: Well, I can't really speak-- I mean, I did sit in this role as a temporary Acting Executive Director for three months last year. But it really wasn't enough time for me to take some of those initiatives.

Fundraising is something that I'm good at. There are lot of people who are good at cultivating. I'm really good at asking. I'm not afraid to ask somebody to fund something. And so this is something that, again, we've pulled together. And not to say that our-- I mean, our Foundation has done a fabulous job with raising money and with asking people for money. But I don't think they've looked at some of these other areas. And I think it's just-- You know, sometimes it's because of the situation we're in -- that we're at this point where we need to identify that other money. And I think it's going on throughout the system. I've talked to a lot of stations that are looking at things differently. They've had budgets cut because of the economy. They're not getting what they used to get from their pledge drives or what have you. So I think it's an idea to really be creative now and looking at other ways.

Not to say, again, that we were not creative before. But I think this is the first time that I've really had all aspects of the station-- I mean, I've talked to the union, I've talked to the staff, I've talked to the Foundation -- you know, our employees -- to try to really put our heads together and come up with some things that we could approach.

ASSEMBLYWOMAN POU: Some of the budget information that you've indicated was asked previously-- Is there any information in

your budget report that you feel might be absolutely burning and important for you to describe here today at this hearing?

MS. SELINGER: I think I did say the material that I felt was important to provide, other than the fact that we really feel a pressing need to raise additional money. And I think we will do that, given the chance.

ASSEMBLYWOMAN POU: Let me ask a specific question then. The gentleman before -- I think the Foundation Director -- made reference that there would be the need to have some kind of transitional funding available in order for them to be able to assure -- make sure that the operations of this new entity would be able to continue. In doing so, obviously he mentioned the figure of -- anywhere from \$4 million to \$6 million. I guess what I'm asking you is: Going forward, what are some of the anticipated projected dollar amounts that you feel may be helpful or needed in order that, if the opportunity was put in front of you to have that transition opportunity -- what would that be?

MS. SELINGER: Sure. One of the things that we talked about was to get through this year. We believe it's the 2.8 until December, and then possibly \$2 million. It might be a little bit more through the -- an additional \$2 million until the end of June.

We also tried to sit down and come up with a preliminary forecast for next year if we were to continue for an additional year. And what we came up with, with that, was a little over \$17 million in expenses and about \$10 million in revenue. Now, again, we might be able to generate more than that, and that's what we're hoping to be able to do if we're able to do this kind of thing. Obviously, if we had our State appropriation for the following year, of \$4 million, that would mean there

would be \$3 million that we'd have to identify from some other source that we hadn't tapped previously.

And, again, this was a very-- I apologize. This was a very quick thing that we put together after the last couple of Task Force meetings. I've worked with staff on this.

ASSEMBLYWOMAN POU: Through the Chair, Ms. Selinger, are there any types of revenue -- not liabilities, but revenue guarantees or contracts that you currently have in place -- that those particular funds are now available because of the current structure and system that runs under NJN, because of the State -- government-run public broadcasting station? If it were to be in a community -- a nonprofit organization, are there any restrictions or prevention from any of those dollars being transferred over as a result of the change in terms of the entity?

Because you are a State-operated -- part of a State-operated or State-funded entity, would it be fair to assume that that very same dollar amount would, in fact, be available for a nonprofit organization? May, in fact -- some of those particular programs or lease agreements that are currently providing revenues may, in fact, prevent the availability -- or eligibility of a nonprofit organization receiving that same funding? Is that not the case? And if so, does that not bring in less revenue for the new entity that otherwise is being looked at right now in the proposed figures that you have?

MS. SELINGER: I can't point specifically to something that a nonprofit would not get. But we do have the-- We do the Lottery drawing. Again, we do a lot of work for State agencies. It's not to say that they would not want--

ASSEMBLYWOMAN POU: Stop right there.

MS. SELINGER: --to be working with a nonprofit. That might be fine.

ASSEMBLYWOMAN POU: I'm sorry. Let's use that as an example. Many of the government-funded or government-paid dollars that we use either for State buildings -- State-owned and operated buildings, the State Police broadband -- radio broadband that is being used -- whatever that dollar amount is that is made available through the State-- Now, if that were to be transferred to a nonprofit organization or some other entity, would that cost not be-- We shouldn't assume that that cost would be the exact same cost. It may very well be a higher cost and, therefore, a greater cost to the State -- not necessarily being -- remaining the same.

MS. SELINGER: Right. I really don't know the answer to that. It's certainly possible. I guess the other thing that Rick Williams talked about--

SENATOR GILL: If you don't know--

MS. SELINGER: --was the fact that we do work with the State--

SENATOR GILL: If you don't know the answer to it-- I don't mean to interrupt you.

MS. SELINGER: Sure.

SENATOR GILL: If you don't know the answer to it, that's perfectly all right.

MS. SELINGER: Okay.

SENATOR GILL: And if you don't know the answer, that's fine. We may be able to, in that time, answer some other questions.

MS. SELINGER: Sure. I was going to say though that the State Police-- I think one of the reasons the State Police, over the years, liked working with NJN is because we were a State entity. Whether they would continue that -- I would think they very well might with a nonprofit.

ASSEMBLYWOMAN POU: Madam Chair, I will just leave it with a broad question, saying I would be interested in finding, through the Chair, that any such category of particular programs or funding requirements that automatically are absorbed by NJN, that would be a responsibility of the State-- I'd be interested to see what that cost -- that transfer cost would be to a nonprofit organization. Because we don't know what it is. It could be whatever your existing dollar is, or it can be a much larger number that is currently not taken into account during these discussions because we don't know what that figure is.

MS. SELINGER: Sure. And I think one of the things that is impacting us, which was in our report, is that for some of our media productions jobs -- which are jobs for hire for other State agencies and other organizations-- Sometimes the work goes over a six-month period, and the work might continue past December. And we're in a situation where we have revenue out there that we would like to be able to bring in. But some of those companies or State agencies are reluctant to sign a contract if they don't know what's going to happen after the end of December. So that would be very helpful to us -- to know what our future is so that we can continue to get this kind of revenue coming in.

ASSEMBLYWOMAN POU: Thank you.

ASSEMBLYMAN DeCROCE: Wouldn't you be able to sign a contract with an indemnification in there just in case something did happen?

MS. SELINGER: We have been signing contracts with successor clauses. But some companies want to have the assurance. They don't want to work on a production and then realize that maybe it's not going to be completed. So I think that is an issue that we are facing with some of our agreements. But we are absolutely working very hard with our Deputy Attorney General to do contracts to continue productions with successor clauses with everything that we're doing. And we intend to finish productions and continue beyond December.

ASSEMBLYMAN DeCROCE: Madam Chair, through you, wouldn't you think that an incoming company -- whoever they may be, a nonprofit -- would, in all probability, use probably the same programming that you presently have -- at least for a while -- until they get on their feet in order to see where they are?

MS. SELINGER: To use-- I'm not sure I understand the question.

ASSEMBLYMAN DeCROCE: Continue the programming you presently have?

MS. SELINGER: Well, I guess it would be whether there is a commitment to do it to the same degree and the same quality. I think that's the issue. I think Jersey-centric programming is one thing. Whether it's quality programming, and whether it's the kind of service to the state that we've done over the years-- I think that's probably an issue for staff, as far as whether that would continue.



ASSEMBLYMAN DeCROCE: Thank you.

SENATOR GILL: Assemblyman Giblin.

ASSEMBLYMAN GIBLIN: Ms. Selinger, you've been with the Authority for quite a while, right?

MS. SELINGER: Yes, over 30 years.

ASSEMBLYMAN GIBLIN: Thirty years. So you're a veteran, to say the least.

So I understand this, right now, if everything stayed the same -- you have the PBA Authority, and then the Foundation. What would be the total amount of dollars that you would need to keep you through June 30, 2011?

MS. SELINGER: Our budget that we presented to our Board was a total of \$5.6 million to go through the end of the year. We've taken a look at some other cost savings.

ASSEMBLYMAN GIBLIN: It's \$5.6 million through the end of the year.

MS. SELINGER: Yes, that's-- I'm sorry, not the end of the calendar year, the end of the fiscal year. So that's until June 30.

ASSEMBLYMAN GIBLIN: That's June 30, 2011.

MS. SELINGER: Right. Now, we have taken a look in the last week or so at some of these other revenue streams that we think we can identify; also some possible attrition, because we do know that some people will be retiring. So we're thinking it could be under \$5 million. Maybe \$4.8 million, something like that, through the end of the year.

ASSEMBLYMAN GIBLIN: Of that \$5 million, how much are you anticipating from the Foundation?

MS. SELINGER: This shortfall that we're talking about here counts what the Foundation said they were going to be providing. So that already includes the moneys from the Foundation.

ASSEMBLYMAN GIBLIN: What's the ballpark number on that?

MS. SELINGER: I'd have to go back and look at that. I'm sorry, I don't have that right in front of me.

SENATOR GILL: Twelve or thirteen, she said.

MS. SELINGER: No, that's not specifically from the Foundation.

ASSEMBLYMAN GIBLIN: It wasn't that high.

MS. SELINGER: I believe-- I'll have to get back to you on that. I have to look it up.

ASSEMBLYMAN GIBLIN: You mentioned before about you being -- that you consider yourself a fundraiser. If the full force was put behind this Foundation -- I'm talking about all segments of New Jersey: business, labor, the community. Because a lot of people -- I will be frank with you -- have taken NJN for granted for a number of years. I'm not being a blowhard, but people connected with NJN know I'm about the only legislator who ever went to their events over the years. Because I believed in NJN. It's not that I'm trying to patronize you here. But I still feel that if the public became aware of the dire financial straits we are at now, I do think they would respond. People say they want you to continue. "You have to start by opening up your checkbook, whatever the amount is."

Do you feel that you could make up this \$5 million between now and June 3 with public fundraising? I know it's an ambitious goal, but

I'm the eternal optimist. I think people would respond more than you realize if the case was presented properly.

MS. SELINGER: I think we could try very hard, but I think that is a very large goal to do within that time period. But I think if we had some sort of seed money or a challenge grant from the State, I think we could get out there. I mean, I did talk, the last time I spoke, about the fact that a lot of stations are doing capital campaigns. You have Detroit that -- a city that is facing really severe economic situations -- that raised \$22 million in a capital campaign. You have the New Jersey Symphony that just raised all this money here in New Jersey.

So I think NJN is valued, just like the Symphony is valued, just like Detroit Public Television is valued. So I do think there's the ability to do it. Can we raise it by the end of June? That I don't know. But I do know that we can certainly take a good stab at it. And I think if we worked very hard, I think we'd be able to raise some revenue.

ASSEMBLYMAN GIBLIN: Because what I'm trying to understand is, if you nuke the public broadcasting agency and set up a whole new entity -- a 501(c)(3) -- and the State still has to be involved with subsidizing this as it phases out of their participation, I don't understand what we're really gaining here. I'm a little perplexed that-- Where is the money going to come from to sustain that new 501(c)(3)? Why can't they give it to the Foundation versus giving it to the new 501(c)(3)?

MS. SELINGER: I think the thought is that--

ASSEMBLYMAN GIBLIN: Because I'm trying to understand why people are going to become that much more energized in terms of financial support.

MS. SELINGER: I think the thought is that in other parts of the country, sometimes, community licensees are very successful in raising funds. So I think that's the reason for that approach. But I do think that we can make a case, and I think we can raise additional funds for NJN.

ASSEMBLYMAN GIBLIN: Thank you.

SENATOR GILL: Senator Ruiz.

SENATOR RUIZ: I walked in at the latter end of the wrap-up of the conversation. But I guess what's ringing is that in the prior testimony we had, Madam Chair -- that I'm hearing that an additional \$2 million is going to be necessary prior to, I guess, what we all appeared to understand as a December 31 shut-off, cut-off. Did I--

MS. SELINGER: No. Basically we've worked with the Treasurer, and that money is going to be available for NJN. It will be there for the -- through the end of December. So what I was talking about was an additional \$2 million if we were to continue to June 30. So from December to June 30 -- January to June 30, I should say.

SENATOR GILL: I just have a couple of questions.

And so I'm clear, the Treasurer has guaranteed to you that there will be an additional \$2 million?

MS. SELINGER: No. It's our budget. It's the NJN budget, which has that in it.

SENATOR GILL: I understand that.

And we're not going to have people yell from the audience.

I understand that. But maybe I misunderstood--

SENATOR RUIZ: Maybe I did too. So that's why I was a little--

SENATOR GILL: Then I misunderstood your response.

Did the Treasurer indicate to you that the State would give you \$2 million?

MS. SELINGER: The language that we had for our Board, and the language that I had in my testimony--

SENATOR GILL: No, I'm talking about the Treasurer, so we don't--

MS. SELINGER: That's what I'm telling you. Treasury has discussed providing seed money to keep NJN-- No, I'm sorry. "We anticipate the Treasury will assist NJN in covering the shortfall through the end of December." And that was said by the Treasurer's representative for our Board.

SENATOR GILL: Okay. So that the Treasurer representative to your Board said that you can anticipate that you will receive the additional funds necessary in the amount of \$2 million.

ASSEMBLYMAN DeCROCE: No.

If I may--

MS. SELINGER: Sure.

ASSEMBLYMAN DeCROCE: I believe what you're trying to say that the budget -- whoever the representative -- said they would fulfill the obligation of the budget through December 31.

MS. SELINGER: Right.

ASSEMBLYMAN DeCROCE: Which you budgeted, and we adopted, in our entire budget last year.

MS. SELINGER: Yes, that is correct.

SENATOR GILL: Okay.

MS. SELINGER: And what we have been told is that, going forward from that point, they have discussed providing some potential seed funding to keep NJN operational in some form or fashion until the end of June.

SENATOR GILL: Okay. Let's take that--

SENATOR RUIZ: That's different and separate.

SENATOR GILL: That's different and separate.

Do you want to continue?

SENATOR RUIZ: No. Thank you for the clarification. I was just uncertain. So it was already appropriated. It just hasn't been released, for lack of better words, or drawn down from. Because it hasn't been expended.

MS. SELINGER: And we are obviously also looking at additional revenue that we can do-- We're hoping to be able to bring that dollar amount down as well.

SENATOR RUIZ: Well, Madam Chair, I guess through the-- The question now -- as something else has become more enlightening -- is that the Administration has appeared to give some kind of commitment past the January deadline. And so I don't know if you wanted to pursue that further.

SENATOR GILL: That was my next question. Was it the Treasurer who indicated--

MS. SELINGER: It's the Treasurer's representative, at our Board meeting, yet again. They did say that -- what we've been hearing all along here is that they don't want NJN--

SENATOR GILL: No, not what you've been hearing here. I want to hear--

MS. SELINGER: Well, no, that we don't want NJN to go dark. And so what we were told is that there would be a possibility of providing seed funding to keep NJN operational in some form afterwards. But the proviso of that is, the specifics of that have not been addressed. And that's why, I believe, we're having these discussions and continuing to talk about this.

SENATOR GILL: Can you tell me what Board meeting, and when, and if the Board meeting was public when that was discussed?

MS. SELINGER: It absolutely was public. And I'm sorry, I don't have the exact date.

SENATOR GILL: You can get that.

MS. SELINGER: I can get you the date.

SENATOR GILL: You can get that for the minutes.

MS. SELINGER: Absolutely.

SENATOR GILL: And the representative for the State -- for the Treasurer?

MS. SELINGER: Steve Petrecca.

SENATOR GILL: I only have one question of you.

And thank you very much. First of all, I think you did an extraordinary job to try and get us -- and did get us -- the information requested. I want to thank you very much. And also thank you very much for your exchanging information so that we could have a better understanding.

On December 31, if this station-- What is the import of this station going black? On December 31, assuming you get no further funding, would the station just go black? You'll turn on a TV and the station is no longer there?

MS. SELINGER: We've had some discussions about that. We hope it does not come to that. I suppose there is a way to do some programming so that there would be something over the air for a couple of weeks until you automatically -- done. But there would not be funding to continue, so we would need to have a way to move forward. And that would mean emergency broadcast, Amber Alerts. It would mean--

SENATOR GILL: I understand that. I'm just trying to get this narrow focus for me. No funding December 31: I turn on Channel 23; is it black?

MS. SELINGER: It could be, or I would say that there might be a possibility that programming, as I said, would be put into our server and available to run for two weeks. But it would go black pretty soon thereafter without additional funding. Maybe not right on December 31.

SENATOR GILL: So maybe not right on December 31, but no later than two weeks thereafter.

MS. SELINGER: Probably. I think you can load into the server a few weeks worth of content if you had to do so.

SENATOR GILL: And so after the two weeks I turn on Channel 23-- It's different for other people, so I'm not being too provincial here. (laughter) Channel 23 and Channel 8. Two weeks after December 31 we turn on our respective channels--



MS. SELINGER: And we're not there. We're not providing NJN news, and we're--

SENATOR GILL: Is it black?

MS. SELINGER: I would assume it's snow. I don't know.

SENATOR GILL: Oh, snow. Okay. I want the-- I think the terminology is--

MS. SELINGER: Actually, in the digital age it may not be snow. We'll have to check on that. Probably not snow anymore.

SENATOR VAN DREW: High definition snow. (laughter)

SENATOR GILL: And if we-- If there was a determination made that you needed to loop programming, how long could you loop?

MS. SELINGER: I think that's what I was talking about in the server. I think it's a few weeks worth.

SENATOR GILL: Okay. That's looping.

MS. SELINGER: Yes.

SENATOR GILL: And so after you loop, what would you need in order to at least have a presence so we wouldn't turn on the TV -- so when we turn on a TV it wouldn't be snow -- high definition nonetheless?

MS. SELINGER: I would have to get you that information. I don't have the specifics of, sort of barebones, what we would need to move forward. We would hope that we would be able to-- I would assume if we got that \$2 million that I was talking about-- As a whole, that might be what we would need to--

SENATOR GILL: In case we didn't get the \$2 million-- And the reason I go back to that is because we understand that from -- you have a year to go black. And at the end of the year -- from the date that you

begin, to the next year -- if you do not do anything, the license will revert to the FCC. So that's why I have this line of questioning to determine how long we can loop, what we can do after looping that is not full programming but won't make us go black. I know you don't have that information.

MS. SELINGER: I don't have the information. I can get it for you. But obviously that's not providing a service that the people in the State of New Jersey need. We wouldn't be doing news, we wouldn't be doing the original programming. It would be repeats and whatever we could put into the server.

SENATOR GILL: And I understand it wouldn't be the high quality that you have. But even if there was a transfer of the license, let's say to the Foundation entity, there would have to be sufficient time to carry that out properly. I don't care who we transfer it to. We'd have to do certain things to determine if those things -- or transfer or sale, which may be a little different, but essentially the same thing--

Could that be done in the timeframe of a year before the FCC would -- our license would revert to the FCC? I know you can't answer that, but I think that's an issue going forward that this committee and whoever else must deal with, and very realistically.

I want to thank you very-- You have done a yeowoman's job, and I want to say thank you.

MS. SELINGER: Thank you very much.

I did just want to bring up one quick point for Assemblyman DeCrocce's question. Just to stress, with the transition to digital and everything -- that was an FCC mandate; so it isn't something, obviously,

that we just did. I just wanted to make it clear that that is something that stations were mandated to do.

ASSEMBLYMAN DeCROCE: Mandated. But they wouldn't relax them in any way?

MS. SELINGER: No. Actually, they always -- stations refer to it as an unfunded mandate. It was something that they said stations had to do, and then you had to find the money in order to do it.

ASSEMBLYMAN DeCROCE: Thank you.

SENATOR GILL: Next invited guest, please. You can call the next invited guest.

MR. DONAHUE: The next invited guest is Mr. Michael Aron, Senior Political Correspondent and Executive Producer at NJN.

**MICHAEL ARON:** Madam Chair, thank you.

Kevin got my title not exactly right -- Senior Political Correspondent for the last 29 years and, for the last two years, Interim News Director -- Interim Director of News and Public Affairs.

And I want to start by saying that it's been heartening to listen to these hearings and hear that all of you get it as to the value of what we work hard to do and produce everyday. And I don't have to make the case to any of you that there's value here.

So I want to just talk to you about the news. You haven't heard from anybody in the News Department yet, and you'd be surprised at the degree to which NJN really is about news. Let me give you some numbers: If you take our half-hour newscast, five nights a week, throw in the two half-hour public affairs talk shows that we produce ourselves on the weekends -- *Reporters Roundtable* and *On the Record* -- you're talking about

352 half-hours a year. The entire remainder of the Network produces less than 40 half-hours per year, and about 20 of those are Sandy King and Raymond Brown, and they might as well be news. Technically, they're a different department, but they serve a similar mission.

On top of 352 regular half-hours a year, there are election night broadcasts, our debates, State-of-the-State and budget messages, and any gubernatorial address to a special joint session of the Legislature, pretty extensive coverage at budget time, budget deliberations. So we are, largely, about news. Of the 149, roughly, people who work at NJN in both the Authority and Foundation, 38 work on bringing that half-hour nightly newscast to you; 19 are in the News Department, the others are cameramen, engineers, studio crew, graphics, other technical functions. It costs about \$4 million a year to do this -- a little more than \$4 million a year to do this half-hour newscast.

And Assemblyman DeCroce, you've been asking about Nielsens and numbers: I have some numbers. They look official. (laughter) These are households per month, I believe. February 2009: 77,000 households; November 2008: 70,000 households; October 2008: 67,000 households. I don't know whether you think that's a high number or a low number. Frankly, I don't care. We're not about ratings. We have the luxury of not being driven by ratings. Some of us visited the ABC affiliate in Philadelphia to see how they do things technologically, and they're way beyond us and they're very rich -- Disney owns them. But I spoke to the news director that day, and she lives and dies by what the Nielsens say. I don't trust the Nielsens. As I guess you've heard already, both from Kent Manahan and Janice Selinger, it's very hard to measure how many people in two markets

are watching. But be that as it may-- And also I should say that those 70,000 households probably include most of the opinion leaders in the state, and you'd be surprised how many non-opinion leaders they include. I walk down the street in Trenton and half-a-dozen people go, "Hey, Roundtable Man!" (laughter) So--

SENATOR GILL: Those are the real opinion-- Those are the real leaders.

MR. ARON: They are.

I don't know whether you think it's a good number or not, but let me throw two more numbers out at you: *Meet the Press* has 3.7 million viewers. *The O'Reilly Factor* has 2.7 million viewers. They're seen in 50 states. If you divide 50 into those numbers you come out, roughly, with 70,000 per state. So we're doing as well as *Meet the Press* and *The O'Reilly Factor*. (laughter and applause)

I'd like to give you a brief history of this newscast. In its current incarnation, it was really born in 1978, when NJN persuaded WNET to coproduce -- although NJN really produced and NET lent its name to it, and some money in those days -- to coproduce a half-hour, high-quality newscast. And they went to Washington, D.C., and recruited a guy named Herb Bloom from NBC Nightly News, brought him up to Trenton. He then hired the most talented journalists he could find, many of them from the print medium, because many broadcast people know that print journalists learn journalism better than broadcast journalists and can be converted into broadcast journalists. And Sandy King was one of the initial ones.

And they started this serious nightly newscast with dual anchors in two cities, in two studios -- there was a woman up in Newark, there was a man in Trenton -- they talked back and forth to each other. It was pretty snazzy back in 1978. (laughter)

I came to New Jersey in 1978 to be a journalist, to run *New Jersey Monthly* magazine. I watched that newscast every night. That's how I learned about New Jersey. That was a great window into New Jersey, and it still is. It's a window into the issues of the state, the character of the state, the trends in the state, the quirks of the state, the things we all love about the state. I had not idea in those days I'd ever work at this station. Kent Manahan was a reporter on the news in those days.

Around 1988 another man took over as News Director -- my immediate predecessor. His name was Bill Jobes. And he further refined the concept that Herb Bloom had brought to New Jersey, which was: we're going to cover the State of New Jersey the way networks cover the nation and the world. We're not going to do a fire in this town, or a murder in that town, or a fatal accident on the Turnpike. But if it's a 12, 15-car pile-up, we're going to do it; or if it's a multiple murder in ghastly circumstances we're going to do it; or if it's a fire that drives 150 people out of apartments we're going to do it. But we're mainly going to focus on issues -- *issue news* he called it.

He took an early buy-out in 2008 and asked me to succeed him, which I did, and I now wear two hats. It's challenging, but a privilege to wear those hats.

We've, I think, established a fairly sound reputation in the State of New Jersey for our journalism. We want to maintain that

journalism. I'm sorry to say it, but in journalism, as in so many other enterprises in life, you get what you pay for, and we've been living with all sorts of downsizing plans for the last year, year-and-a-half, and trying to maintain a standard while losing people that we can't replace.

I know you all are trying to figure out a solution -- we're all groping for the answer here. I don't have the answer. Journalistically, it makes sense to separate us from the State. We've always lived under a cloud of mythology that because we're a State agency we're beholden to you, and we cover you in a soft fashion. I reject that. But if we were to be moved into an independent nonprofit, it might help create that separation. It might help create flexibility from government restrictions. I'll give you a ridiculous restriction: The Governor's on a tour right now campaigning. He's getting a lot of attention. The *Ledger* sent Josh Margolin to California. I would like to send Zachary Fink to Ohio to see Christie campaign for John Kasich for Governor. Guess who I need the approval of?

SENATOR GILL: The Governor?

MR. ARON: The Governor's Office (laughter) and the Treasurer.

So there would be advantages to being independent. However, there are also disadvantages. The people who have put their sweat and energy into this enterprise all these years but haven't reached the 25-year limit yet would suffer. Which is why I say that in any plan that is hatched by the Legislature and the Administration, the union, the Foundation -- whomever -- that the current employees ought to be grandfathered as State workers. Make all new hires private sector or nonprofit sector employees,

but grandfather the current workforce. I've been told by the Administration that's impossible -- maybe it is. I don't know.

The other downside to doing this: the timing. Why are we doing-- Why are we seeking to foist NJN off on the private sector in the midst of the worst recession of our lifetimes, when the private sector has zipped up its pockets or at least is giving half of what it used to give?

You've heard other people ask for transition time. I think a two-year transition to whatever the next incarnation is makes sense. I don't know who our new masters will be. Whoever they are, you've heard about this mandate that Kent Manahan brought to this discussion -- that we continue news and public affairs at pretty much the current level, and current level of quality. We're going to be answering to new masters if we leave the State of New Jersey structure. I don't know what they're going to ask of me, if I'm even employed there. All I know is that right now our obligation is to the people of New Jersey, and that's how we make our decisions every day and every night. And Senator, you said it: It's not the Legislature's license, it's not the Governor's license -- it's the people's license. And I think those of us who make the news -- you make news, we make the news -- are just looking for a way to keep doing it because we love it. We think it's valuable to the people of New Jersey. It's one of -- like some other people have said -- this is one of the things that unifies this state. Rutgers unifies the state, State government unifies the state. We're the only statewide medium -- the *Star-Ledger* isn't statewide; 101.5 you can't get here in Montclair very well.

But I don't need to sell you on our role. I'm here to answer any questions you may have.



SENATOR GILL: Thank you very much.

Any questions?

ASSEMBLYMAN DeCROCE: Michael, when I questioned the ratings, I'm not a broadcaster. So I don't understand how you measure the value or the worth of programs. So when I question that, it's not being critical, it's so I understand how the station actually works.

MR. ARON: I understand, Assemblyman. Thanks.

SENATOR GILL: Senator Ruiz.

SENATOR RUIZ: Madam Chair, not a question, but more so of a comment.

I think that Committee members who also serve on the Budget Committee can certainly say this year, in particular -- and not that it hasn't been the trend in prior years -- when everyone was so much in tune to see what was happening, what were the presentations, what was the possibility of budget cuts -- that it became clear to me that NJN had such a unique voice. I had seniors calling my office during the midst of budget hearings as to what was happening, or asking us to pose questions on behalf of different entities that were going to get inflicted or affected during this budget process.

So I also just want to say to everyone who is here that -- it didn't become more clear than something that you said today: That in the midst of all of this, news is still being produced, programs are still occurring, and that there is this looming cloud over everyone. And I just want to applaud you for what you continue to do. Because I can't imagine that it's an easy task.

MR. ARON: Thank you, and if I could just add to that? I think the current Governor has increased our viewership by about 10,000 a night. (laughter and applause)

SENATOR GILL: And what do they say about the silver lining? (laughter)

Any further questions?

Assemblyman.

ASSEMBLYMAN AMODEO: Madam Chair, also a comment.

Michael, it was very well said and very much appreciated that -- your consideration. And, I think, us as a collective unit up here have to consider one of the critical things you mentioned -- that individuals who staked their lifetime in a profession can't be boxed out. Anybody that's vested there should be consideration for, moving forward. And I believe the Administration will look very well into that segment to keep and protect the individuals who have that time in the pension system. And I would hope that it goes that way.

The other comment I have is that, as we always state *Jersey-centric*, I think I would ask the Chair at this point to include Michael Aron as a part of the mission statement, as we move forward (laughter) because you said it all, and you did a great job. And that's very much appreciated.

MR. ARON: Thank you, Assemblyman. And I hope you're right about the first point you made. (laughter)

SENATOR GILL: Assemblywoman.

ASSEMBLYWOMAN POU: Thank you.

I just want to make a comment. I guess it really goes-- It's something that Senator Ruiz was just speaking about, with regards to the

attention of the State, of the public, of all of New Jersey residents taking very careful -- paying very careful attention to all of the news that was being reported during the budget process. And I would say to my esteemed colleague, Assemblyman DeCroce, many of them spent and stayed up in the middle of the night watching many of the programs that were actually continued, in terms of being replayed during that time. So it's amazing the kinds of things, and the individuals who would actually -- who we would actually come in contact with who said, "You know, I saw you, but it was like 3 o'clock in the morning." And I was like--

MR. ARON: Assemblywoman, there was a night when both Houses were debating the budget, and the Assembly was going very late--

SENATOR GILL: As usual. (laughter) So says the Senate.

MR. ARON: Well, there are 80 of them.

And I instructed the 20 people from NJN who were down there to shut it off at 12:30. "That's enough. We've been here since 10 o'clock this morning." We're always the first to arrive -- no, we're not always the first to arrive -- we're sometimes late, but we're always the last to leave a news event. I said shut it down. And they convinced me: No, don't shut it down -- keep going with it. And it lasted, I don't know, until 2 a.m., 2:30. And they were right.

ASSEMBLYWOMAN POU: Absolutely.

MR. ARON: I'm glad in hindsight that we kept going with it, and I don't know who watched.

ASSEMBLYWOMAN POU: That was my point. Thank you.

SENATOR GILL: Anything further?

So we all have agreed that, notwithstanding being employed by the State of New Jersey, no one up here feels that they've been treated softly.

SENATOR RUIZ: Agreed.

SENATOR VAN DREW: That was my-- (laughter)

That was going to be my comment.

MR. ARON: Good.

SENATOR GILL: You do your job. Even though it makes me squirm a lot, you do your job.

Assemblyman.

ASSEMBLYMAN GIBLIN: Just one question: Michael raised the issue about new employees versus old employees. I think we should ask OLS about that too, if, in fact, it can be done. I've seen situations over the years-- I remember one-- Newark had a City hospital -- Martland Hospital -- and UMD took over. There was a transition period for existing City employees. You had the same thing some years ago with New Jersey Transit when they were taken over by Public Service -- taken over from Public Service Transport. There was a transition, and I'm just curious how that was done in terms of protecting seniority and also pension rights. So I think it's a question we should ask of OLS.

SENATOR GILL: And I do think that, on the last meeting, last couple of meetings, since we are dealing with FCC issues, the FCC and the First Amendment will not permit any kind of mandate as to content nor-- If the licenses are transferred to the new owner, the old owner cannot mandate content or cannot mandate that you take the employees. So we're in a legal situation. If it is transferred to anyone, these things cannot be

mandated, and it will be one of the things to explore, or what other alternative things can be done. But we will explore the alternatives.

ASSEMBLYWOMAN POU: Madam Chair.

Just based on your statement, couldn't we, however, ask for OLS to research as to whether or not, as we move forward in terms of allowing whatever comes of all this -- if, in fact, there is to be such an entity going forward, could we not ensure that the language in the legislation makes reference to what has been voiced here today in terms of some of the protection? So that whoever is identified in terms of that entity would, in fact, ensure that there is some common understanding -- not requirement; I understand that -- from the FCC, from the license end of it? But whoever the other side of it will be, that that information -- or they've identified an entity that, in fact, will indeed look forward and live up to that particular suggestion.

SENATOR GILL: Of course. OLS can research those requests and any others that we have as we move forward, so that when the report is written, everyone will have their respective opinions or issue researched and discussed -- as we move forward.

So we can-- yes, we can do that.

ASSEMBLYWOMAN POU: We may not be able to put it into the license, but we certainly can put language in the legislation that can ensure and protect some of the rights of what we're talking about. And I guess that's what I'm referring to.

SENATOR GILL: Yes, and I think OLS can research that and see how it can be done.

Senator.

SENATOR VAN DREW: Thank you. And what Assemblywoman Pou stated concerns me a great deal, too. And what my concern is -- what I learned early on, about 10 years ago in the Legislature -- is anything that can be done, as you know so well -- because it's happened and it's disturbing sometimes -- on a statute can be undone in a State statute, and that concerns me. As well as anything that is done by a board with their bylaws also can be changed into the future.

So that's one of the biggest concerns I have, is we're researching that, through the Chair; that I'd almost rather -- and that's where it becomes unique. If we discuss about this public cooperation -- perhaps if the State of New Jersey in some way still has the license, but we change the entity so that we can fundraise better, there's more flexibility, etc. -- that part's good. But I'm going-- This is something I very strongly believe in: The New Jersey-centric part of this, the neutrality of it, the public policy part of it, I believe could be lost easily; I really do, because it is not all that viable commercially, or there aren't going to be that many who are that concerned about other people who really do think in these terms. And it's very important.

So it does concern me a great deal, because it could easily be undone by law or by loss.

SENATOR GILL: Yes, we will have that researched in relationship to our Constitution and statutory obligations, under whatever regulatory authority, so that we can know what we can do and what we can't do, and then we can mesh the two and make something possible.

So yes, we will. We have open minds here.

Thank you very much.

MR. ARON: Thank you, Senator.

MR. DONAHUE: The next invitee is Mr. Howard Blumenthal, former Executive Director, Public Broadcasting Authority; and former President of NJN Foundation.

SENATOR GILL: Good evening, sir.

**H O W A R D   J .   B L U M E N T H A L:** Hello; which of these microphones is the one? This one? Thank you.

I have-- I've made this very brief, because the hour is getting late.

SENATOR GILL: Okay.

MR. BLUMENTHAL: So I made it quite short.

SENATOR GILL: And could you speak--

MR. BLUMENTHAL: And I will lean in like this and get a little more comfortable, okay?

Thank you to everyone here for taking the time to listen to something that is really a complicated issue for a lot of different reasons. And I'm going to add some more complexity to it now, if that's okay.

NJN is the largest broadcaster in the United States -- the largest local broadcaster; and that's defined by the FCC, which does not define NJN by New Jersey -- it defines NJN by the entire coverage area. And only one-third of the people who are in the coverage area are in New Jersey -- two-thirds are not. It's a terribly important concept because Federal law requires NJN -- its licenses -- to serve that entire population. So the fact that NJN serves New Jersey is a business decision, or a legislative decision, or a governmental decision, but it's a decision that is beneath the need to serve the entire community. I live in Pennsylvania -- you serve me. I watch

the channel regularly; I love it. But it's not the primary purpose of the licenses, and there are four licenses -- so we're all clear on that.

But NJN, again, has made an extraordinary business decision in using four of the best licenses in the United States, and pairing them up so the same programming appears on two licensees in the North and two licenses in the South. It's an extraordinarily expensive way to operate a broadcast operation, but it's the decision that was made in the era when over-the-air television was the primary way that people watched television. Now that's no longer the case. Most people watch cable television; they don't watch NJN via broadcast. Another 10 percent (indiscernible) watch over satellite. There is only about 10 percent viewership that's over the air. So you need to think about what NJN really is.

Now, I'll also refer you to the schedules that NJN puts out, which are primarily children's programs and special interest: travel, cooking, science programs. What we're talking about in terms of original productions really only occupies about 5 percent of NJN's schedule. So we need to all understand that not only is it a small percentage of the overall schedule, but a relatively small number of people watch those original programs -- that's the nature of public television. That's not anything extraordinary to NJN.

Michael's numbers: I think you ought to look a little more carefully. I submitted a report -- Sarah, you have it, I think -- on Friday that's a strategic analysis of all of NJN's operations, including all the ratings for all the programs, all the day parts, and the ways in which NJN competes with WHYY and WNET; and how that situation compares with Chicago, San Francisco, and other markets that have television stations that are



similar to NJN. NJN is what's called a *Beta station* -- it's the second station in each of the markets -- New York and Philadelphia.

So from a national point of view, from a public television point of view -- but not from a New Jersey point of view -- you have to look at the world as others do, as well as the way we need to look at it in New Jersey. So there are a number of different pieces.

The other pieces, in part, you should know: Broadcast news has lost between 20 and 40 percent of its audience in the last five years. People are moving away from broadcast television -- all broadcast television: public television, NBC, CBS -- they're going to cable. And now we're seeing them begin to move to the internet as well. Half of television viewers have been lost since 1980 -- half of broadcast television viewers have been lost since 1980. This is a dwindling business. The business is changing, it's changing very, very quickly. Public television stations have lost, on average in the past four years, between 25 percent and 35 percent of their viewers. This is a changing business.

Where did those viewers go? They went to HGTV, they went to Food Network, they've gone to HBO, they've gone to any number of places that provide programs that public television used to provide but no longer does, or no longer does in substantial numbers. The children's audience for public television has so been reduced now because Nickelodeon is so successful. It's the largest television channel in the world by far -- it's in about 200 countries.

Now we're moving to the internet. And as we do, distribution is instantaneous. So whatever I'm saying now, we need a license to broadcast this over television. But there are as many people who are

watching not on television. They're watching on the internet, they're watching on mobile devices. That's where the industry is going.

So as you consider the decisions -- and they're very serious decisions -- about where you want to go, I strongly encourage you to think about not where we were yesterday -- yesterday is a terrific place; we've done great, great work; a lot of reasons to be very proud -- but you really need to think about where this industry is going, knowing that number one: the cost of production has dramatically reduced. You can now buy a television camera and those images can go on the air for a thousand dollars. And anyone of you could learn how to use it in an hour, and many high school students know how to use it.

Now, there's a quality threshold, but it's not purely the province of professionals anymore. Distribution -- you noted (indiscernible) television signal, you used to need a license. You don't need a license anymore. Now anybody -- anybody -- with a computer and an internet connection can distribute a program, or a few minutes, or whatever you like everywhere in the world, instantaneous -- without a license, without any gatekeeper at all; aside from if you're using YouTube, there are some rules.

But, generally speaking, this industry has changed and it is changing at a very, very rapid pace. I wouldn't be surprised if two years from now half of the public television audience is gone. So as, for example, Assemblyman Greenwald was talking about looking to other public television stations for best practices -- that's not where you want to be looking. You want to be looking at Food Network; you want to be looking at the History Channel that has, by the way, almost no history on it anymore. So we all kind of wonder where this industry is going. But it's a

funny place, this television industry. It's changing very, very fast. The cost structures are being reduced like mad. All different ways of thinking about production companies, and who you need on staff, and who freelances, and all the different relationships. And then there's the whole video on demand business, which also is taking a bite out of traditional television viewership and is aggressively building. That's where, for example, Comcast goes.

And then you also have to start thinking about, you know, we haven't breached that HDTV thing yet -- we don't have much HD equipment. I'm in discussions now about 3D TV -- that's where the industry is going and that's one step towards holographic TV, and that's likely to launch within the foreseeable future.

So cable companies are very interested -- over-the-air, mobile. The reason they want mobile broadband is because it takes a lot of bandwidth to be able to broadcast a 3D TV signal.

These are not futuristic, crazy things. This is in plans now with every major media distributor. So to make decisions based on what's happening today or what's happened over the last 40 years -- not a great idea.

So as you contemplate what this new organization looks like, let me give you two quick things: one -- it has to be based in New Jersey. If you speak to any broadcaster who is outside, they will ultimately bump into that awful formula where one-third of the audience is in New Jersey, and two-thirds is not, and they'll do precisely what WNET did a number of years ago: They'll leave New Jersey. Whatever you're doing, insist -- find some way to do it; the most important thing -- that it is based in New

Jersey, that it has a New Jersey-centric board of directors, and that it continues with that mission.

The second is: Don't put any limitations around that board of directors. Don't force them into the status quo. The status quo happened yesterday; it's kind of over; and, we're on a very new era, and that new era five years from now is going to be very different from what it is today. So I urge you to think not about where we are today, but where we're going.

And just one last thing, which I wrote down because I like the way it sounded: Forty years ago, your legislative colleagues were visionary when they introduced legislation and passed the legislation to establish NJN. Today, you and your colleagues in the Legislature have the opportunity to be equally visionary and write an entirely new chapter -- not only for New Jersey public media, but for every single public media station in the country. And I say that because NJN reaches 9 percent of the United States. We are the largest broadcaster. As I said before: We reach almost as many people as there are in Canada, we reach half as many people as there are in the United Kingdom or France or Italy. This is an enormous operation, an enormous opportunity, and for all of you, an enormous challenge.

I finished up work on Friday, so I'm here to help in any way I can and to provide you with information. I would urge you to look at the strategic analysis that I submitted on Friday because it does have a lot of information about NJN's real schedule, what people really watch, how many people really watch, and I think you'll find it a little more precise than some of the numbers that you've heard today.

So have we distributed this, Sarah, or is it to be distributed?

SENATOR GILL: You have to-- Sarah does work for me, so--

MR. BLUMENTHAL: Okay; I'm sorry.

SENATOR GILL: You have to go through the Chair

MR. BLUMENTHAL: So, Senator--

SENATOR GILL: Yes?

MR. BLUMENTHAL: Would it be possible to distribute the document to--

SENATOR GILL: Well, yes, I'm quite sure.

MR. BLUMENTHAL: --the others on the panel? Thank you very much.

SENATOR GILL: Sarah's very efficient.

MR. BLUMENTHAL: Okay, thank you.

I'm sorry; and nobody's said it, but Sarah and Justin have been just wonderful in putting this together and being on top of everything. So -- compliments to both of you, and to all of you for participating in this. I know it's difficult, and I know it's late.

I'm here to answer questions. Let me do what I can for you.

SENATOR GILL: Thank you very much.

Justin also works in my office.

Let's see: Do we have any questions?

ASSEMBLYMAN DeCROCE: I have a question.

Are you suggesting we should look at new challenges you talked about -- the other two channels that you mentioned -- H--

MR. BLUMENTHAL: WHYY is the largest--

ASSEMBLYMAN DeCROCE: No, no -- I'm not talking about WHYY.

MR. BLUMENTHAL: Okay, I'm sorry.

ASSEMBLYMAN DeCROCE: You talked about TV channels, TV programs. I said channels; I meant TV programs that are presently being strongly considered in TV, like the H--

MR. BLUMENTHAL: Oh, television programs--

ASSEMBLYMAN DeCROCE: Yes.

MR. BLUMENTHAL: The television channels that people watch now--

ASSEMBLYMAN DeCROCE: But aren't they--

MR. BLUMENTHAL: --who used to watch PBS.

ASSEMBLYMAN DeCROCE: Aren't they cable programs?

MR. BLUMENTHAL: Well, they are, but half of the viewers have gone to cable networks who used to watch broadcast networks like PBS. So HGTV, which has really taken away a lot of the home decorating, gardens, and all that that we used to see on PBS -- the audience has moved there. Children's programs: They've moved Nickelodeon and, to a smaller extent, Cartoon Network. For nature programs, they've moved largely to Discovery and other networks. So we lost that core audience that for NJN is vital, because 95 percent of the programs that NJN puts on the air don't have anything to do with NJN -- they're programs that appear on other channels. And we're all drinking from the same well.

Let me make it a little more complicated for you: It used to be that WHYY or WNET, or any of the other channels that are in the area, used to run one television channel. Now I'm the CEO of MIND, which is one of the public television channels in Philadelphia. We run three channels. In my house in Bucks County we're able to watch 11 public

television channels from three different suppliers. That's what NJN is competing with now. That's what we're all competing with. So the audiences have become very fragmented, and in order to make it work you have to look at expense structure -- not at your revenue structure -- you have to look at what it's costing, because the audiences are smaller, because smaller audiences mean less revenue. So you've got to really pay attention to what the economics of the industry are, and they have changed dramatically in the past few years -- past three years -- and they'll continue to change, particularly because the economy has changed so much in all ways.

ASSEMBLYMAN DeCROCE: Do you have a suggestion?

MR. BLUMENTHAL: I do; I think that you've really got to focus not on revenues and fundraising. I think you need to look at a complete reinvention of the organization based upon a very new set of assumptions. This is not about broadcast television anymore -- not a few years from now. This is all about internet, this is all about changing habits, this is all about broadcast news losing much of its audience, probably half of it by the time two years more passes.

So you've got to really think about how people consume news. Do you really want to do a half-hour daily newscast? I think there is value in it, but I think that there is a need beyond that half-hour newscast. Because think about the way we all consume news. We don't sit down anymore and have that 6 o'clock family experience watching the news -- not the way we used to. We're picking it up off iPhones, we're picking it up off nj.com that's done a wonderful job. There are just a lot of different sources

for it now. NJN doesn't occupy the sole position that it did 40 years ago or 30 years ago.

ASSEMBLYMAN DeCROCE: How do we do that? The licenses we have I don't think are conducive to those types of changes, are they?

MR. BLUMENTHAL: Oh, absolutely.

ASSEMBLYMAN DeCROCE: Oh, they are?

MR. BLUMENTHAL: Yes, you have every right in the world, because the State -- or the PBA, more accurately -- is the license holder. You have every right in the world to invent whatever you want to put on. That's the charge -- is to be creative and innovative, and to super-serve audiences that are not well-served by television. That's in the 1967 law that established public television at the Federal level. Those words: *innovative*, *diversity* is on there, *education* is in there. Those are the focuses, and in the case of NJN, wonderful, wonderful job on education from -- really from very young to very old, it's worked out very well.

But let's understand that NJN, from a consumer perspective, is 35 percent children's programs, and that's exactly the audience that we ought to be serving. Unfortunately, those programs are also on WHYY and WNET, so at a certain point when the CPD -- that's your Federal funding, that's about \$3 million a year -- starts asking questions about why WHYY and NET and NJN are all running the same programs, NJN will be the one that's in some trouble, not HYH and NET. You have to think about the future. You have to think about, "What else might you do if PBS becomes more restrictive in its use of member stations?" Because we do overlap, and NJN is the smaller station in the New York area. It's the smaller station in



the Philadelphia area. And the reason it exists is not really to replay programs that are seen elsewhere. The reason it exists is to do lots and lots and lots of original programs for the region -- for New Jersey and for the region. And the more you can jigger the model so that you can get more output from a very, very high quality production staff -- these guys really know what they're doing; they've been doing it a long time, they're top quality.

It has to be set up in a way that more and more programs can be made, and the way you do that is you look carefully not at public television that tends to be expensive, you look at the likes of Food Network or other cable networks that have figured out how to lick the model and make it much more cost-effective. And then you look at internet video, which is getting, in many case, better ratings than broadcast television is, for certain things. And you say, "What can we learn from that? What are those audiences?" Our audience is 65 years old and older, for the most part. Public television is, generally, a very, very old audience. You need to pull that down because those people are not sticking with it. Even that audience is eroding. You need to pick up people who are 50-plus.

ASSEMBLYMAN DeCROCE: Thank you.

MR. BLUMENTHAL: Sure.

SENATOR GILL: Howard, I wonder if you could speak to us today about broadband.

MR. BLUMENTHAL: Sure.

SENATOR GILL: How it may be valued, how it may be considered in an asset-valuation situation.

MR. BLUMENTHAL: Well, let me give you a simple example of radio, if that's okay, and then I can build it out to the broader picture. One of the questions that's come up is what should NJN do about its radio stations, because those stations only cover 20 percent of the state.

The issue there is not so much old broadcast radio. The issue is how soon internet radio is going to be available over the air on a car radio tuner. We're hearing four to five years. Now, how do you make that possible? You make that possible through the likes of 4G broadband carriage, or better than that. I think, Senator Van Drew, you and I had a conversation about this at one point. And CLEAR, for example, is a company that does that. NJN made a deal with CLEAR; it covered about \$3 million worth of the fiscal '10 budget, and they are providing, essentially, a very heavily enhanced version of cell phone coverage that is a WI-FI service that allows for massive broadband over the air. They need very good frequencies for that. Television has those frequencies. You'll notice that the FCC Chair this week made an announcement about what's called *white space*. It's the area between the television channels.

What they really want is the channels themselves, because we have very, very good bandwidth, we have very good capacity that's ideal for broadband services that are delivered over the air to small devices, and cars, and the like. The problem is we have these television stations parked in those frequencies, and we don't need those television stations parked in those frequencies, because most people -- 90 percent, like I said before -- don't watch over-the-air anyway.

So there will be a transition from broadcast television to other means, but we want to make sure that the American people and the people

of New Jersey can watch that television for free. Now, cable costs money, so do we really want people to have to pay a price to watch public television? Not a great idea.

So somehow there has to be a free carve-out, as there is in the EBS contract -- that's the CLEAR contract that we signed. And that's the case with every contract that's being signed in that sector. So there is the opportunity to start offering wonderful new services that are highly interactive. This is where over-the-air HDTV and all that is likely to go. But we're going to need different technology. It'll probably use the television frequencies. Initially there will be an auction-- Well, initially there'll be a surrender and a deal phase, then there will be an auction, and then there'll be a force. And the force has already begun, as the UHF spectrum has been shrunk by the FCC every few years. And they'll continue to do that to essentially require stations that are not so involved in using all four of their available digital channels -- and we're a little technical here -- they'll force them to combine. So NJN will have to live with HYY or live with any of the other stations in order to provide coverage. We'll go off the same tower. We won't have dot-one, dot-two, dot-three, dot-four; we'll have dot-one, dot-two, and that sort of thing.

So television frequencies, I believe, will be used for broadband over the air. I think we've already seen that process beginning, and I think we're looking at the waning days of broadcast licenses and the waning days of broadcast television. But I do think that the television industry will continue; it's just going to have other, probably, different distribution means. And the fact that Comcast bought NBC, and NBC didn't buy Comcast should speak volumes about where this industry is going. It's in

control of the players who have paid services, not those who have free services.

Does that answer the questions?

SENATOR GILL: It does; thank you very much.

MR. BLUMENTHAL: Sure.

SENATOR GILL: Any other questions?

Senator Van Drew.

SENATOR VAN DREW: When you say that the public television has lost 25 to 35 percent of the viewers, I'm curious -- very specifically, for example, NJN news. Is that true over the last number of years with them as well?

MR. BLUMENTHAL: Yes, the last three years.

SENATOR VAN DREW: The last three years they've lost 25 to 35 percent?

MR. BLUMENTHAL: And if you look at, for example -- and I'm no longer an NJN employee so I can't quote the ratings for you, but I would encourage you to look at the history, and have somebody -- Janice, for example. Look at what's happened with WPVI, Action News -- which is the largest news show in the Philadelphia area -- and you'll see drops that are dramatic, as you will with every other local television news show.

SENATOR VAN DREW: And I agree. You're right; you can read about this stuff. It's so unique -- the NJN news -- and not as many people want (indiscernible) was really-- Where are they going? I understand in many other cases, all the--

MR. BLUMENTHAL: I can answer that.

SENATOR VAN DREW: The other shows and so forth--

MR. BLUMENTHAL: They're going to nj.com, which has an enormous number of daily viewers. When we see the decline in television news, and you look at nj.com that gets to over 2 million unique visitors every month, to NJN's -- again, I can't say the number. But let me say that it's a very, very smaller percentage of that overall number.

SENATOR VAN DREW: But their broadcast station, the one that we-- The broadcast show that we regularly -- or some folks regularly watch -- the NJN news--

MR. BLUMENTHAL: It's a very modest number--

SENATOR VAN DREW: If we were to look a few years ago, it would have 25 to 35 percent more viewers than it does today?

MR. BLUMENTHAL: Yes, I would think so, and I think you probably-- Yes, I know that for a fact.

SENATOR VAN DREW: Do we know that for--

MR. BLUMENTHAL: I would encourage you, again, to look at the strategic planning document -- the analysis document -- that I submitted on Friday because all of the information is in there. And I wrote that when I was an employee; so the data is proprietary to Nielsen, is the issue.

SENATOR VAN DREW: Through the Chair, that would be interesting for the Committee, if they so choose, to have that.

MR. BLUMENTHAL: Yes, but you do have that information.

SENATOR VAN DREW: They have each of the statistics for her to-- Thank you.

SENATOR GILL: Any other questions? (no response)

Thank you very much.

MR. BLUMENTHAL: Sure, my pleasure. Thank you.

MR. DONAHUE: The next invitee is Mr. William Sanchez of NJN.

WILLIAM Q. SANCHEZ: I hope you don't mind, I brought four people with me: Dora--

SENATOR GILL: Dora! Dora! Dora! Dora!

MR. SANCHEZ: And Emmy. (displaying an Emmy statue)  
And this is Veronica Kole.

VERONICA KOLE: Hi.

MR. SANCHEZ: And this is Edward Perry. And I will tell you who they are in a minute.

But you've been talking about quality television. You've been talking about how NJN needs ratings and all that. And what you need to focus on, and I really want to take a good look at this, is who do we beat when we go to the Emmys? We beat the best in New York, the best in Philadelphia -- so when you're talking about quality programming, NJN is producing it.

Our engineers, our technical staff, is the best. I know, as a producer, because they bail me out every time. (laughter) You are looking at, right now, Willie Sanchez, the production -- Latino production of NJN. One person -- me, okay?

Now, why am I saying this? Because you're also talking about ratings and quality programming. *Images/Imagenes* has seen, over the years, a lot of stations come and go in other places in New Jersey -- and promised the Latino community that they will have coverage, that they will have other programs coming in. What has happened to those programs when

they're given to a separate entity? They're gone. They start for a little bit, and then they're gone. Where's *Horizon*? Where's Channel 13's *Realidades*? Gone. When Channel 47 was in Newark, they said we'll do a lot of things for New Jersey, but what happened? Once they left, they'll come every once in a while, but they don't come. The only time in the '70s that you heard anything positive about the Latino community was when *Images/Imagenes* put it on the air. Because the other stations were coming only when they found something negative or stereotypical about the Latino community.

We have maintained that legacy to a level that we have brought-- We were the number one station contributing nationally to PBS -- *Imagenes*. We were the first one to win an Emmy award in New York in 1985 for NJN. Who did we beat? NBC, CBS and ABC -- okay?

So what I'm trying to tell you is, if you're going to look at that-- Somebody said, "NJT is taken for granted." I think that's part of the problem. It is easy to take us for granted while we're here, but when we're gone you're going to miss us. You're going to miss us.

The Latino community is transferred to an entity that will promise, "Yes, we're going to have Latino programming," and two years later, or six months later, we are gone because that's what's happened over and over -- it's historical; it's happened. New Jersey will have nothing.

I was at an event yesterday. The only camera to cover a historical event in New Jersey -- the naming of Hilda Hidalgo Way -- was NJN -- *Images/Imagenes*. No one else covered it. A positive event -- no one covered it. A historical event -- no one covered it.

Who is doing the type of programs that exist and make a difference? *Images/Imagenes*. This Emmy was for *Su Salud Primero* -- that we partnered with the Horizon Foundation and the State Chamber; and with the great help of Janice Selinger, Executive Producer; and Jill Hargrave, who wrote this; and Rick English who edited it; and John Quiñones from *20/20* who was the host. We won. Is it the first one? No -- we have three Emmy nominations (*sic*). And one of them is very special to us, because we have a number of nominations. So every year, almost for 19 years, we've been going over and over to the Emmys. And most of the time, we are the only Latino program at the Emmys.

Now, a lot of publicity hasn't gone on this, but we beat Peter Jennings and *World News Tonight* -- *Imagenes*. (laughter) In Miami, I have letters that tell us that we were the best program they ever had on Channel 17 in Miami. President Clinton and the United States Congress recognized *Images/Imagenes*. As a matter of fact, the kids from our show -- from *Hispanic Youth Showcase* -- sang for him. And we've had kids in the White House.

I want to talk to you about something that's very special, and the reason I have Dora here is because Dora sent the letter a few weeks ago. And in that letter she says, "I am 13 years old and first participated in the NJN *Hispanic Youth Showcase* when I was 9. Since then I became the voice of Dora the Explorer on Nickelodeon -- our worldwide Latino heroine beloved by millions of children." Dora the Explorer came from us.

Karina Pasian, who was nominated for a Grammy at 17 this year, was ours. How many of you guys know that, huh? Because we've been taken for granted. And the publicity for NJN has been very, very little in getting to you, but I'll tell you this: The only reason -- the only reason



that *Images/Imagenes* has lasted for 38 years is because of you. Because every time *Images/Imagenes* has had its problems, "Oh, we might not be here," we stand here with you guys -- and I've been to the Senate and Assembly -- and you guys always ask the one question that's very important: What are you doing for black and Latino programming? And, guess what? If you guys are not a part of keeping minority programs alive, and put us in an entity that may say, "Yes, we'll keep you," and then lets us go -- you are getting rid of black and Latino programming in the State of New Jersey. And what will come is diluted programs, and I'll tell you why: I just did a story today -- I'm working on it with the Department of Consumer Affairs. And they said that some of the programming going on now featuring Latinos and pushing for Latinos are pushing products that are false; products that are in our community. We have now doctors who are practicing without licenses. Who's telling that story? *Images/Imagenes*. Why? Because we need to save lives. And right now -- unfortunately they left -- there was a group of people in wheelchairs. Those are Destiny's Angels. They are part of our next series which AARP is funding, with the help of Janice and Jill again, and those are people in wheelchairs who are tired of not having their story told. Who's telling it? *Images/Imagenes* in a documentary called *Salud Primero -- Health Without Barriers*.

We need to continue the legacy of *Images/Imagenes*. It is 38 years old -- 38 years old bringing the history, the story, and the vision of the Latino community to life. And on top of that, we're also keeping the-- Somebody said here that PBS is older audiences. We have two people here who will show that PBS can be younger -- two from the *Hispanic Youth Showcase*. I want to introduce--

SENATOR GILL: No, what we're going to do here, sir--

MR. SANCHEZ: Yes?

SENATOR GILL: The lateness of the hour--

MR. SANCHEZ: Okay, I'll keep it short.

SENATOR GILL: --and in consideration of others, you are the invited guest. And if you want to speak to any of the issues that are important, we appreciate that you have brought along some others. You will be the one who will speak, so that questions can be asked of you if necessary.

MR. SANCHEZ: Okay.

SENATOR GILL: We do appreciate their presence; we have noted it for the record and, of course, this is TV so it's noted for TV. But you will be the person who will speak.

MR. SANCHEZ: Okay, the reason they're here is because they are part of the *Hispanic Youth Showcase*. The *Hispanic Youth Showcase* was nationally considered one of the top six programs in the nation. We get responses from all over the country for the *Hispanic Youth Showcase*, including a young lady who came from Florida, who is blind, to compete in one. And from this *Showcase* they go on to become major stars. Edward Perry has come from Hollywood -- he is three-time, four-time champion -- finishing a movie with Robert DiNiro and Al Pacino. This young lady, Veronica Kole, is the winner this year, and she is touring the country representing youth with diabetes -- she is the Youth Ambassador of the American Diabetes Association.

MS. KOLE: Second year.

MR. SANCHEZ: Second year. So what we're trying to show you is when you look at the ratings that you probably have, you're not going to see the full picture -- you're not going to see the full picture. First of all, for *Imagnes*, we've been on repeats -- because we went from 23, to 3 and 6 -- we've been on repeats, so those ratings are not going to reflect us. I want you to look at the ratings the way we were: We were the top program distributed nationally, and one of the top programs at NJN, and recognized, again, nationally.

So when you are thinking of giving this entity to somebody else, you need to be a part of it. Because the only way that entity will keep minority -- Latino and black -- programming on the air, and youth shows like the *Hispanic Youth Showcase* -- which, by the way, will be 25 years old this year and the Harlem Globe Trotters have dedicated a day to it -- will be if you back it up. You have to back up NJN along with minority programs that should be part of the New Jersey dialogue with any entity that comes here.

NJN and *Imagnes*, as somebody said, are perfect together.

SENATOR GILL: Thank you very much.

MR. SANCHEZ: You're welcome.

SENATOR GILL: Senator Ruiz.

SENATOR RUIZ: Thank you, Madam Chair.

You asked who knew about Dora, and I did.

SENATOR GILL: (Indiscernible)

SENATOR RUIZ: I had the fortune and pleasure to meet her through you.

I wanted to say that earlier on, during the opening of the first meeting in Trenton, that we did talk about the uniqueness of NJN and how we all here explicitly understand the responsibility that it has as a network. And several of the members of the Committee did recognize it: Not only is it New Jersey-centric, but it is culturally centric in that, someone alluded before, we don't have *American Idol*, but, yes, we do through the *Hispanic Youth Showcase* programming that we have; and that great stars are coming out of the state but, most importantly, that they are being highlighted through this programming.

And you did bring to light several things that I wasn't even aware of, and perhaps that even sheds a different dynamic in the sense that we haven't marketed NJN in the way that it should be -- that it's such an Emmy award-winning brand and that the value goes beyond any marker measure that we can-- Because, specifically, in your programming they were talking about -- Latinos were talking about the story, we're talking about, in essence, how they are part of the fabric of what is New Jersey today.

Thank you, Madam Chair.

SENATOR GILL: Thank you.

Any further questions? (no response)

Thank you very much.

MR. SANCHEZ: Okay. (applause)

MR. DONAHUE: The next invitee is Walter Freas, former NJN Director of Educational Services.

SENATOR GILL: This is the last invited guest, and then we'll open it up to the public.

Good evening, sir.

WALTER B. FREAS JR.: Thank you, Senator Gill and members of the Task Force for the opportunity to speak and provide information on educational services that New Jersey Network has provided in the past.

I've worked for New Jersey Network for more than 22 years, retiring in 1995 as the Director of Educational Services. My purpose tonight is to look at NJN educational services in the past, which I believe will provide guidance to the Task Force concerning an aspect of programming that hasn't been reviewed to a great extent at previous hearings. Hopefully, this might provide guidance for future decisions on the various platforms that have emerged.

Hired by Mary Jane Phillips, a pioneer of similar services at WETA in Washington D.C. and who was the first Director of Educational Services appointed in 1970, I started in 1973 as a Utilization Specialist, essentially a salesman for promoting NJN and encouraging use of our educational services in New Jersey's schools and colleges. As a native-born New Jerseyan, and as a long-time resident, and as a social studies teacher, I was keenly aware of the communications and information void--

SENATOR GILL: Sir, I'm not interrupting you, but we're going to have you summarize your statements.

MR. FREAS: Well, I think that the important thing-- I know you are familiar with the enabling legislation, but it very specifically mentions educational and instructional information to the public at large within the state. It provides for distribution services by various technologies or platforms -- as they have been referred to many times -- and also provides for maintaining a library of educational television and radio

programs that would be available for use by colleges, universities, schools, and non-commercial television and radio stations.

Essentially I was joined later by another Utilization Specialist, and then later by three part-time people and a post-secondary co-coordinator. The post secondary co-coordinator, obviously, worked with colleges, but also adult and community educators, government and industrial training councils, and others who were interested in furthering education through telecommunications.

I can give you a number of programs which are mentioned in my testimony, which you have before you.

In September of '79, we began production with the Department of Education on an instructional series called *The Great American Eating Machine*. After Mary Jane Phillips retired, I was appointed the second Director of Educational Services, and while the programming schedule was primarily provided via broadcast, the next two years saw initiatives to distribute instructional programming by emerging technologies or platforms. A consortium of county AV commissions was organized to distribute some of the instructional programming by videotape.

SENATOR GILL: And sir, I'm not-- You have a three-page typed-- We're not going to get through all three-page typed-- So if you could summarize.

MR. FREAS: Well, I think the important thing to recognize is that we did teleconferences for college courses, we did in-service teleconferences, we eventually became a videotape service. We also signed a contract with the national consortium and formed, with the Department of Education, New Jersey Learning Link. And with the Department, again,

we became a member of the Satellite Educational Resources Consortium which provided satellite courses in subjects like Japanese, advanced math, and science. We also provided more than three dozen teacher in-service teleconferences to meet New Jersey needs.

In 1994 there was an internal group, the Educational Technology Task Force, which provided a document called *Educational Content on New Jersey's Electronic Information Highway*. And basically what it said was that New Jersey's traditional role in providing educational services has been that of acquiring, producing, and distribution. While it's agreed that New Jersey still has a role in that distribution of education programs, a variety of distribution systems, as you've heard tonight, have developed and many agencies are interested in developing and running those systems.

Further it read, "What can NJN provide that no one else can?" And that is: NJN is and will continue to be uniquely suited to acquiring and/or developing resources to meet New Jersey educational needs. Specifically, we could play a significant role in identifying and acquiring rights to existing resources, and identifying needs that are unique to New Jersey and for which programming needs to be produced. In other words, New Jersey could play a unique role in becoming a prime, statewide provider of programming.

Since 1994, great advantages in technology and changes in organizations, personnel, and funding have made much of this 1994 report dated. However, I would submit that its concepts and approaches can be applicable today, and may provide ideas and directions that would serve the state through various media that the Task Force might pursue in your deliberations.

In conclusion, I thank you for the opportunity to bring to your attention the many varied services of Educational Services; and for me, personally, to review the opportunities for which I was privileged to be a part.

SENATOR GILL: Thank you very much.

MR. FREAS: Thank you.

SENATOR GILL: And you are absolutely correct: There has not been a focus on the other aspect of the educational programs at NJN as a source of public education, instructional and otherwise. And as your report indicates, that also could be used as a form of a revenue generator.

MR. FREAS: Absolutely.

SENATOR GILL: And I see that you laid it out specifically. And that was very creative.

MR. FREAS: Well, the testimony provides a number of examples of projects where we were involved that produced revenue and were, in fact, largely supported by the revenue we brought in, as opposed to State funding.

SENATOR GILL: It's an excellent presentation, with some excellent information.

ASSEMBLYWOMAN POU: Madam Chair.

SENATOR GILL: Yes.

ASSEMBLYWOMAN POU: If I may just add-- It sounds as though many of the things that you've described that were, in fact, done and used prior to when you first -- during the time that you were there. That appears to be the wave of the future, in terms of many of the things coming back -- with some of the descriptions that you talked about,



particularly the teleconferencing of classrooms and that interactive -- through that type of media exchange. So I think a lot of what you've talked about, that was previously done before and paid for through its own mission or through its own course, is certainly something that appears to be all too common today in terms of where it wants to go.

MR. FREAS: I should emphasize, too, that we worked a considerable amount of time with the Department of Education and, when it existed, the Department of Higher Education. And there were services we were providing for them, obviously, that were cost-effective for them to provide the same.

ASSEMBLYWOMAN POU: Yes.

SENATOR GILL: Any other questions? (no response)

Thank you very much, sir.

MR. FREAS: Thank you.

SENATOR GILL: This will be the public segment. Two minutes -- we have a timekeeper here who is pretty exact. And we'll call you up.

I'm sorry, we have-- You signed up, and so this will be the public segment.

MR. DONAHUE: Anthony Mondaro

**A N T H O N Y   M O N D A R O:** Thank you, all, for taking my testimony this evening.

I just want to let you know that I'm a viewer of NJN TV -- been so for the last 20 years or so. I wouldn't know about this Committee here, tonight, if it wasn't for NJN. I watched many of the elections, debates -- *On The Record, Reporters Roundtable* -- and I have to dispute the fact with the

gentleman who was before me, about nj.com. While it's a very good internet, web-based, reading, take-time material there, NJN news gives us a solid half-an-hour of well-versed, well-educated news. I challenge the station at Secaucus, New Jersey, or up in Edison to come close -- it doesn't even come close. They give a solid half-hour of news. And also programs such as *On The Record*; and also *Reporters Roundtable* on Channel 23, where I watch every Friday night; and also 262 on digital.

And also, I made a comment before to Sandy King and also Ray Brown, who was here earlier. And before I had the opportunity ever to even know about that program, I saw what they call a *tease* about *Due Process* and what that was all about.

While watching it over the years now at least I know how New Jersey law works. And I can remember, too -- and I know there's a lot more people who want to speak, but I figured you want to hear this from a viewer -- I used to have to fight my 4-year-old about whether to watch and tape *Curious George*, *PBS Kids*, and the like during the day. So she watched, as long as I watched too, New Jersey programming.

So thank you for the opportunity. And I think, really, the real thing should be how we could keep this going.

Senator, when I heard you before about what do we do if we go black, or if we have to loop? Me, as a viewer, I don't ever want to have to see it come to that. And hopefully, knowing that my tax dollars goes into paying for programming at NJN -- it's tax money well spent.

And thank you very much for taking my testimony.

SENATOR GILL: First of all, thank you for coming.

MR. MONDARO: Right.

SENATOR GILL: And thank you for waiting.

MR. MONDARO: And thank you to NJN and NJN news -- and everybody who works there -- for their hard work, for all their years.

SENATOR GILL: Thank you.

MR. MONDARO: Thank you. (applause)

SENATOR GILL: Thank you for your testimony.

Next witness, please.

MR. DONAHUE: Mabel Aragon.

**MABEL ARAGON:** Good evening, everyone.

SENATOR GILL: Good evening.

MS. ARAGON: My name is Mabel Aragon, a Bergen County resident. I sit before you today as a supporter, a freelance contributor to NJN over the years, and an avid watcher of NJN.

I can't offer specific data, but in my humble opinion the State's decision to end decades of support to NJN I believe is a travesty. While this may seem over-the-top, it's actually not.

By transferring New Jersey's Public Television Network to other hands, we're running the risk that the standards and unique practices and programming that has been offered for decades will be lost, not to mention the number of jobs that are going to be impacted. Programs including *State of the Arts*, *NJN News*, and *Images/Imagenes* -- a program that's taken the time to focus on the Latino community, a demographic that continues to grow -- all these programs have enhanced the lives of viewers, providing them with a network that is all-inclusive, because it's able to offer unique, quality programs that everyone has access to watch.

I understand that we're experiencing difficult economic times, but it's important that all of you reevaluate the steps that are being discussed. Cuts may be inevitable, but don't take away an outlet that's making a difference in the lives of local residents.

NJN's programming motivates, educates, and enhances families' lives. At a time when the arts are given so little attention, and our youth is turning to the streets with few role models to turn to, NJN is a worthwhile alternative. Examples also seem to bring the message home, so let me tell you that productions like the *Hispanic Youth Showcase* or *Images/Imagenes* have made a huge impact on the Hispanic youth in our region. The fact is, you can't put a price on mediums that allow our youth to become successful.

In conclusion, all I ask is that, as a body, you consider the actions being taken carefully. Please be thorough and even passionate about making the right decision. Don't take away a network that's providing wholesome programming that continues to grow with each new generation.

Thank you.

SENATOR GILL: Thank you very much. (applause)

Next member of the public.

MR. DONAHUE: David Belasco.

**D A V I D   B E L A S C O:** My name is David Belasco. I am a resident of South Orange. And I'm one of that 10 percent who gets my television over the air. (laughter) And something that you may not have considered -- NJN has one of the strongest signals in New Jersey. And we were discussing before what happens -- or if -- NJN goes dark. In some

households, a great portion of their television will disappear. There are, no doubt, households in New Jersey that are only receiving two or three very strong signals -- one of them NJN, because the transmitters are here in the state. Some of us have the means and will switch over to cable, and it won't be a big deal for us. But there are many people, including senior citizens and others, who do not have the economic means. It seems like a small amount to us, but \$25 a month, whatever it comes to, if you multiply by the number of people who would have to switch it becomes a very large amount of money.

And I just hope you take that into account in your deliberations. Thank you.

SENATOR GILL: Thank you very much, sir. (applause)

Next.

MR. DONAHUE: Arlene Ng. (no response)

She left.

SENATOR GILL: We'll continue.

MR. DONAHUE: Deborah Jacobs, ACLU. (no response)

Nick Acocella, *Politifax*.

**N I C H O L A S   A C O C E L L A:** Hello, my name is Nick Acocella; I live in Hoboken, and I run a newsletter called *Politifax New Jersey*.

Thank you; thank you, first of all, to Madam Chairman and to the members of the Committee for all your time you put into this.

I want to address something that Kent Manahan brought up -- the news mandate -- and Michael referred to -- about \$4 million -- and that Senator Van Drew mentioned in passing: That there's only a New Jersey-

centric mandate here, but there should also be a news and public programming mandate.

We heard a lot of things about what NJN could do, and I'm not against any of these. I like the idea of call-in shows, I like the idea of quiz shows and travel shows and cooking shows, all with a New Jersey theme -- I'm for all of that. But not at the expense of the thing that makes NJN unique, and that is its evening news. It is unique among all public television stations.

New Jersey is famously the keg tapped at both ends, and Ben Franklin, who coined the phrase, wasn't even aware of media markets. (laughter) It's almost too obvious that New York and Philadelphia stations don't care about what happens here except crimes and fires. WWOR, our own New Jersey station, throws in a (indiscernible) of a half-an-hour TV show every Saturday at noon -- and that's it. NJN is the place to go for the state's political, business, and educational elite. It's got nothing to do with how many people watch, it's the quality of the people who watch -- that everybody from county committee members and -- I get stopped all the time -- county government people to the Governor watches NJN news. Don't mistake that. You can't let that die, because once it goes away, it will never come back. If this gets in the hands of an entity that thinks that the \$4 million that's spent on the evening news is too much, it will never come back.

And I know, and you know probably better than I do, that money is scarce; that there are any number of organizations, worthy competing interests, for the shrinking public dollar. I recognize that. You

are harangued on a regular basis by those competing interests, insisting that their needs are the most compelling -- but I don't think so.

MR. DONAHUE: Mr. Acocella, two minutes.

MR. ACOCELLA: NJN news--

SENATOR GILL: We can't let you end at "NJN news" without telling us what-- (laughter)

MR. ARCOCELLA: --provides the unifying factor in the state, it brings North and South together. And I'll stop there.

Thank you very much. (applause)

SENATOR GILL: Thank you.

MR. DONAHUE: Wilma Frey.

SENATOR GILL: If you have further public testimony that you want to submit that you couldn't finish, you can certainly submit it.

**W I L M A F R E Y:** I think this was me -- Wilma Frey -- F-R-E-Y? Or was it someone else you called?

MR. DONAHUE: I see a Wilma-- Are you Director of Newark Public Library?

MS. FREY: Oh, no.

SENATOR GILL: Well, you could speak-- Go ahead. But you are Wilma?

MS. FREY: Yes.

MR. DONAHUE: There's also Wilma Frey--

SENATOR GILL: There are two Wilmas, we'll take the first Wilma--

MS. FREY: That's pretty odd.

MR. DONAHUE: New Jersey Conservation Association Foundation, correct?

MS. FREY: Yes, yes.

MR. DONAHUE: Okay.

UNIDENTIFIED MEMBER OF AUDIENCE: Wilma Grey, I think, left.

SENATOR GILL: Okay.

Wilma.

MS. FREY: Okay, thank you very much, Senator Gill, Assemblyman Greenwald, and Task Force members.

New Jersey Conservation Foundation is a nonprofit, member-supported organization whose mission is to preserve land and natural resources throughout New Jersey for the benefit of all, including farmland, forests, parks, water resources, and special places. NJN Public media is one of New Jersey's most valuable assets. It is a public treasure, just like the State's parks and forests that we work to protect.

We ask this Task Force to preserve and protect NJN. NJN provides important and informative content on New Jersey issues that can't be found anywhere else. It was created to fill a void: a lack of both commercial and public stations covering New Jersey with the passion, with the detail, and the dedication that the state deserves. We lie between two states -- Pennsylvania and New York -- with large media markets, where New Jersey is considered merely an appendage or an afterthought.

NJN has helped to build an identity for New Jersey. With its nationally distributed and award-winning documentaries such as *The Highlands Revisited* (sic), *The Race for Open Space*, *Turning the Tide*, and the



*Hard Winter*, NJN has helped change the national image of New Jersey from an industrial landscape to a place of historic importance and scenic beauty. Business executives are no longer afraid to be transferred to New Jersey.

NJN has helped put New Jersey on the tourism map. It has helped create a positive identity for New Jersey, and this has only come about because of its specific mission and its home in State government.

NJN has been enormously helpful in addressing New Jersey issues of critical importance to the state and to my organization, including land use, protection of the New Jersey Highlands and its water supply, and the contributions of New York's Sterling Forest to New Jersey's water needs. Its featured documentaries are intelligent, informed, balanced, and continue to remain viable even today, even though sometimes we wished that they addressed some specific legislation and policy at the time.

Only a public NJN could have done these documentaries. NJN is owned by the people of New Jersey, people who have invested in the station through their taxes. They want to be able to count on their investment continuing to work for them and continuing to enhance the quality of their lives as it fulfills its mission on their behalf.

MR. DONAHUE: Ms. Frey, it's two minutes.

MS. FREY: We urge this Task Force to keep NJN public and working for us, the public.

Thank you very much.

SENATOR GILL: Thank you very much. (applause)

MR. DONAHUE: Cephas Bowles.

**C E P H A S   B O W L E S:** Very good. Thank you, good evening.

SENATOR GILL: Good evening.

MR. BOWLES: Would it be appropriate, Madam Chair, if I gave you a copy of what I have to say?

SENATOR GILL: Yes, we will make sure all members get--

MR. BOWLES: Let me introduce myself: My name is Cephas Bowles, and I'm the President and Chief Executive Officer of WBGO, the largest public radio station in the State of New Jersey and, arguably, the most recognizable public broadcasting entity worldwide from the State of New Jersey. We are primarily a music-based station; we're a National Public Radio affiliate; we offer significant programming to the NJN radio network. We have a reporter who we share with WHYY in Philadelphia, and we offer newscasts-- If you listen to NJN's *Morning Edition*, the news -- the local news that you hear, the pieces are produced by our reporter. We also produce a number of other specials that NJN carries. Though we're primarily a music station, we offer a significant news operation in New Jersey.

I come before you to say a couple of things: One, do not, under any circumstances, allow a non-New Jersey entity to broadcast as NJN. It has to be a broadcaster who is based in this state who has a knowledge of New Jersey and who cares about the issues impacting New Jersey. Secondly, WBGO, for many, many years, has won more broadcast awards than any other entity in the State of New Jersey -- broadcast entity. We have a significant news operation. We do that because we believe that it is important that the people of this state understand the issues that are impacting them and how that is impacting their quality of life. Your charge, as I see it, is to make sure that that quality of life is not interrupted. I have great respect for the work that my colleagues at NJN have done over the

years. While I recognize that you have a difficult task before you, it's expensive to run a broadcast station -- it's very expensive. But there are ways that we could possibly streamline it. What I would propose to you is that there are four Corporations for Public Broadcasting-licensed stations in New Jersey that are radio. We will be more than willing to meet with you or a subcommittee of this group to talk about ideas that we have.

Again, we're in the game with our colleagues at NJN. I also want to say--

MR. DONAHUE: Two minutes.

MR. BOWLES: I wish I could talk more into that; I could have said a few more things.

WBGO -- last item, Senator, if I may -- we are the entity that you talk about: We are a community-licensed public radio station. What that means is: I have a Board of Trustees. That Board of Trustees numbers 21 people. We operate with a \$5 million annual budget, most of which has to be raised locally. And so we think that we have things that we can tell you about operating as a nonprofit organization. My Board Chair and I will be more than happy, again, to meet with any of you to discuss those things. But first and foremost: NJN does a great job, NJN is something that we as New Jerseyans need to be proud of. We stand with them at WBGO, but we also recognize there are ways to streamline the process, make it less expensive for the betterment of the people of New Jersey.

Thank you very much.

SENATOR GILL: Thank you. (applause)

Next.

MR. DONAHUE: Susan Haig.

**S U S A N   H A I G:** Good evening.

**SENATOR GILL:** Good evening.

**MS. HAIG:** Thank you very much.

I'd like to share perspectives, having worked with nonprofits for the last 20 years both as an artistic leader and as a board member, and also with Canadian Public Broadcasting, South Dakota Public Broadcasting, and WEDU. I'm a great supporter of public broadcasting, and appreciate the critical issues and the critical need.

I just want to speak briefly to what I think is the potential for NJN to function as an independent nonprofit, from my view outside of broadcasting.

As many of you know, from the 1980s, nonprofits-- They were quite close-knit and one-way. They diversified, they broadened their mission to community building. I think this new, more flexible nonprofit model could be applied to NJN, and I'll just share brief, exploratory thoughts.

An independent New Jersey public broadcaster would need a network of two-way relationships for gathering content from the incredible richness, culturally, in New Jersey that's really grown in the last 10, 20 years. So I think that with 30,000 nonprofits in New Jersey, if we just take the 5 percent -- the 5 top percent -- that's 1,500 outstanding organizations that could provide some raw content, which means that NJN could cost-effectively also adopt a curatorial role.

And I'd like to also report, briefly, on a recent content-sharing partnership that I experienced. I'm the Creative Director of New Jersey Arts News, and we produce short form arts content for television

broadcasters. This was a partnership that happened last year with WWOR in Secaucus, and this is how it worked: NJAN-- We had a single meeting with the news director and the web manager at Channel 9 in July. They viewed two of our segments and requested a two-minute segment every two weeks, which we offered free of charge. We signed a four-page legal document that gave WWOR exclusive rights for a limited period. We, New Jersey Arts News, as a nonprofit, assumed responsibility for the content -- that the content was free and clear. They retained final rights for what went on the air -- their air, including the right to edit. This was a good-faith agreement, it was a non-binding agreement. We, as a nonprofit, were not obliged to produce, and they were not obliged to broadcast because they're ultimately accountable.

MR. DONAHUE: Two minutes.

MS. HAIG: So it was a win-win-win for the broadcaster, for the public, and for the arts organizations. And I think that those partnerships represent a potential way forward, as well for NJN.

Thank you so much.

SENATOR GILL: Thank you very much.

And I'd just like to let you know that if you want to submit any further public testimony in writing for the record, please feel free to do so. We must have them all by next Friday. And you will submit them to Kevin-- Kevin, you give your address.

MR. DONAHUE: My e-mail address is: [kdonahue@njleg.org](mailto:kdonahue@njleg.org).

SENATOR GILL: But we must have them in by September 30. So the listening audience can also participate by e-mailing. And for those who don't have e-mail, we will give them your address.

MR. DONAHUE: Linda Coles-Kauffman--

SENATOR GILL: No, your address. For those members who may not have e-mail -- the public -- what address--

MR. DONAHUE: My address is: Office of Legislative Services, State House Annex, PO Box 68, Trenton, New Jersey 08608. That's it.

SENATOR GILL: Thank you.

**L I N D A C O L E S - K A U F F M A N:** Good evening, Madam Chair and distinguished guests and representatives here on the Task Force.

It's a long evening for all of us. I had a prepared statement -- no worries -- not going to read it.

SENATOR VAN DREW: Thank you.

MS. COLES-KAUFFMAN: You're welcome. (laughter)

But I also must say that I do have a statement from Professor Clement Price, who is a member of the NJN Board, who wasn't able to attend; and I'll just hand that off for distribution.

SENATOR GILL: Thank you very much.

MS. COLES-KAUFFMAN: I'm here with my husband; he told me to speak from the heart. I grew up in North New Jersey, majored in journalism, attended Rutgers University. In my high school yearbook it says, "Aspires to be a broadcast journalist." I remember I was interning, doing work for a local cable station when I graduated from college. There was a segment there where there was an opportunity to learn more about the media. I went to the workshop, and one of the people there was Pat Battle, who was a former reporter for NJN news and now works for WNBC-TV. There was an opportunity to ask questions and I made a pest of

myself. After it was over, she looked at me and she said, "I want to know who you are." We had a little sidebar conversation. To cut to the chase, two weeks later she called me and said there was an opening at NJN and I applied, and the rest is history.

Currently I am the Executive Producer of NJN's *Another View* program and, from time to time, just recently I've started to also contribute to the NJN news department. When I was leaving the office today, co-workers were thanking me for coming to speak. This has been--

MR. DONAHUE: Two minutes.

MS. COLES-KAUFFMAN: --an incredible experience for us. I have been here since 1987. I left, went to commercial TV, came back; so I know ups and downs, I know the ebbs and tides (*sic*) of funding. We ask you to consider our legacy, to build upon our core -- because we are good at what we do and we do it with pride. We consider ourselves public servants, if you will. We have a core legacy, and we want to build upon it. We need autonomy, we need the opportunity to realize our potential. We understand we live in a media world that is changing -- we are changing with it. We have always changed with technology, but right now we are on the verge--

MR. DONAHUE: Ms. Coles.

MS. COLES-KAUFFMAN: --of an opportunity. And we just want you to know that we embrace it, and we thank you for your support.

SENATOR GILL: Thank you. (applause)

MR. DONAHUE: Veronica Kole.

UNIDENTIFIED MEMBER OF AUDIENCE: (Indiscernible)

MR. DONAHUE: Eva Lucena.

**EVA LUCENA:** Muy buenos.

I am Spanish, although I speak very good English -- I was educated in England. I am founder and Artistic Director of the Alborada Spanish Dance Theatre. I would consider it the premier Spanish dance company in New Jersey.

I have been privileged to be broadcast on NJN. *Images/Imagenes* has produced four programs in collaboration with my dance company with the emphasis on the words *theatre* and *education*; and twice we've been put up with them for an Emmy -- many years ago -- because we presented a documentary on the costumes of Spain throughout the centuries. One of which, of course, all of you wear today -- the women -- polka dots, which came out of northern India with the Spanish gypsies, then the Indian gypsies. And these polka dots became very famous.

The second Emmy award is coming up next Saturday, with people from my dance company, called *The Spanish Guitar* -- it's going up for an Emmy next Saturday. So I'm honored and privileged to have been broadcast by NJN four times. And as a Spanish voice, I beseech you to not forget that there is a vast Hispanic population in New Jersey that seeks to be educated, and *Images/Imagenes* is the only -- the only -- program that educates the Hispanic population. I know we say 41 and 47. That's all to do with soap operas and hip-hop and Zumba. It's not cultural.

I came out today-- I've been teaching-- We go into schools about 60 to 80 times a year. We teach educational programs. Even the little children who are not Spanish are fascinated by our culture. And we educate, and we seek to continue to educate. Do not forget that; don't



leave us in the dark. Don't leave our children in the dark for the future without giving them some culture.

Thank you very much.

SENATOR GILL: And we wish you luck on the Emmy.

MS. LUCENA: Thank you. (applause)

MR. DONAHUE: Leigh Freeman and Steve Tadzynski.

SENATOR GILL: You two can determine who can go first.

**S T E V E N T A D Z Y N S K I:** Good evening.

I'm Steve Tadzynski, and I'm a data systems analyst at NJN. And for the last 10 years I've been installing and maintaining computer-based adult education classrooms within the State of New Jersey.

I want to talk for about three minutes about some--

SENATOR GILL: You have two minutes. (laughter)

MR. TADZYNSKI: Thank you; I'll cut it down. I will talk for two minutes about some non-broadcast -- non-broadcast services that NJN provides.

As Walter Freas explained, educational services are a component of NJN's mission. While there are ready-to-learn programs for children, we also wanted a ready-to-learn program for adults. So 10 years ago, NJN and the New Jersey Department of Labor joined together to create a new adult-ed program initially aimed at people coming off of welfare. The idea was to, as needed, boost educational levels for math, science, reading, communications skills to GED level. Upon exiting the program, these students could go into entry-level work, vocational training, or even college.

At the start we had five pilot sites around the state; today we have over 50 of these sites. Many are located in One-Stop Career Centers; some are at county or community centers; and 10 are in State prisons and juvenile facilities. In the classroom the computerized coursework is self-paced, with an instructor for testing and guidance. To round out the curriculum, NJN took advantage of its affiliation with PBS to acquire the use of three television series focused on the topic. But additionally, NJN itself has produced 430 television programs specifically for these classrooms, covering inspirational stories, interviews with knowledgeable guests, and introductions to various careers.

NJN has also produced four 10-show miniseries covering women in the workforce, jobs in Atlantic City, high-tech jobs, and an award-winning series on education and life skills during and after release from incarceration. NJN designed a special website to provide supporting information for that series, in addition to the voluminous web site with supplemental information and web links for the entire project.

MR. DONAHUE: Two minutes.

MR. TADZYNSKI: As you can see, NJN is more than broadcast television and radio. It is also multimedia training for children and adults, brought to the classroom and to the home.

Thank you.

**LEIGH FREEMAN:** Good evening. I'm Leigh Freeman; I'm the Project Manager of Workforce Development at NJN. And I just wanted to share with you that NJN has a long history of commitment to education beyond broadcast television.

K-12 and adult education at NJN has grown and expanded through unique and forward-thinking programs and partnerships created by the NJN Foundation over the past 10 years. One of the most dynamic adult workforce development programs in the country was developed by the NJN Foundation, and that was the program that Steve was referring to. They created the program, secured the grant from the Department of Labor, and forged critical partnerships which we still maintain today.

Initially called the New Jersey Workplace Literacy Program and now called Workforce Learning Links, the program provides a blending of software and video streaming on computers that enable a lab to serve adults at any level, and prepare them for employment and continued education. The program is recognized throughout the country as innovative, with many agencies contacting NJN for guidance in replicating this program. At 50 sites currently, these links serve about 6,000 people annually.

On another note: NJN is currently a partner in two grants -- one with the New Jersey State Library, and the second with the Trenton Housing Authority. In both instances, NJN is providing critical content to provide the citizens of New Jersey with the knowledge and skills needed to get and keep a job, be a good family member, and a good citizen.

The Broadband Technology Opportunities Program, also referred to as BTOP -- NJN, here, is a critical partner and is providing about 80 percent of the content.

MR. DONAHUE: Two minutes.

MS. FREEMAN: NJN will also be providing training and assistance in workshops to the residents and future residents of the libraries.

The libraries across the state, obviously, are going to be serving many of the unemployed which, as of December, numbered over 440,000.

MR. DONAHUE: Your two minutes are up.

MS. FREEMAN: Excuse me?

MR. DONAHUE: Your two minutes are up.

MS. FREEMAN: Oh, well, you have my information. The bottom line is: NJN has an incredible ability to go forward. We're already on the web. We have a lot of educational content. We have partnerships, relationships--

SENATOR GILL: Your minutes are up.

MS. FREEMAN: --and grants. So we need to be around.  
(applause)

MR. DONAHUE: John Barra.

**J O H N B A R R A:** Good evening.

SENATOR GILL: Good evening.

MR. BARRA: I am a producer in the Media Productions department, which is the for-profit department at NJN. I am speaking tonight on behalf of the staff of that one department.

We produce training, education, promotion, and marketing programs in a variety of formats for a worldwide clientele -- not just in New Jersey. Media Productions has a working staff of six full-time employees, and in the past 10 years has earned \$20 million in revenue for the Network. While \$20 million is a significant amount of revenue, the staff of Media Productions believes we have only just grazed the surface of what we can and what we should be doing for the State.

The majority of our clients are State agencies, producing national award-winning videos on gangs, police suicide, forest fire prevention, electric cars, foster care, adoption, recruitment programs, public service announcements, and voting campaigns. In essence, Media Productions at NJN must provide services to every sister State agency. Janice Selinger mentioned before about the Circular Letter that's out -- and I support the fact that we need to continue to become liaisons with other State agencies in Trenton and beyond just to continue those services. The need is there but not everyone knows who we are, or what we do, so we just want that opportunity to move ahead in that aspect.

I have attached other stuff, that I can hand out as well, regarding ideas for revenue -- other projects that are in the hopper right now that are about to be produced and contracts that are still waiting to be signed.

NJN as a whole should be helping to promote Atlantic City -- NJN should be the agency creating the travel and tourism campaigns. We should be promoting Jersey Fresh for the Department of Agriculture, healthcare protocols for the Department of Health and Senior Services, and the list goes on and on. With our satellite capabilities we could help provide training for State employees -- we can train more people, more economically, and in less time -- all at a cost savings to the State.

Further down the road, if you think about it, the State will be paying top dollar, possibly to some vendor or, worse still, the privatized NJN entity, for the very services it once owned. Think of it this way: It's like owning a house, then giving it away; then realizing you have nowhere to sleep, so you end up renting to use what you formerly owned.

MR. DONAHUE: Two minutes are up.

MR. BARRA: Okay, thank you.

Please don't let this happen. There's no justification for giving it away. Thank you for your time.

SENATOR GILL: Thank you.

Next witness.

MR. DONAHUE: Rae Roeder, CWA

SENATOR GILL: And while you're coming forward, call the name of the next one, so we can--

MR. DONAHUE: John Strachan--

SENATOR GILL: Will be after that, and then--

MR. DONAHUE: --then Eric Richard.

**R A E R O E D E R:** Good evening. My name is Rae Roeder, and I'm President of CWA Local 1033. We represent over 7,000 members, mostly in the Trenton area. And my members insisted that we come tonight, even though we do not represent them. We listen to their programs. NJN means a great deal to us, and we came to stand with our brothers and sisters to tell them that you are not alone because we, too, represent many people who have come against privatization. We're going to continue to fight it as long as we can. And we came here to say to the Committee that we strongly oppose the proposal to sell off and relinquish NJN's licenses to a separate corporation.

And by privatizing, the New Jersey citizens lose something that we believe belongs to them. And we strongly oppose the proposals that are before you. And once you sell off NJN, it will no longer be ours, it will no longer be a part of our lives. It is an important jewel in the State of New

Jersey. It's just as important as the beautiful beaches, the great mountains, the wonderful people who live here.

And as a State worker, many of us came tonight a long distance because we wanted to tell you that this is a jewel we don't want you to throw away; and, once again, all the trappings that go with it. All of this is about privatization -- taking what belongs to the citizens of the State of New Jersey and giving it away. It is both a Democrat problem and a Republican problem. But we assure you that we are not the problem. And we came here to make sure that you understand that we are also voters and citizens of the State of New Jersey and we own that station. We contributed to it with our support and we're going to continue to do so. And we're going to stand with our brothers and sisters against the privatization and the destruction of NJN.

MR. DONAHUE: Two minutes are up.

SENATOR GILL: Thank you very much. (applause)

MR. DONAHUE: John Strachan.

**J O H N   S T R A C H A N:** Thank you, Senator Gill, members of the Committee. My name is John Strachan and I am a viewer of NJN.

I didn't know what I was going to say when I was coming here, but as I passed two billboards on the Turnpike tonight. They were for Imus, and they said, "Fair and unbalanced." That's the talk -- he's a pundit; that's what most people look at these days.

New Jersey has real news, and I would like to-- And like so many other people who are not elites, we watch New Jersey Network, particularly during the budget. As Assemblywoman Pou said, she was

hearing people -- from her constituents, and they turn on NJN to see what's going on.

I'm the Chairman of the Board of a 501(c)(3). This is not the time to put something out as a 501(c)(3) to get contributions. I can tell you, it's tough out there. Our donations have dropped precipitously.

And I always wanted to speak about the future. There was a gentleman here who had worked for New Jersey Network before who lives in Bucks County. And he got on the issue a little bit, and that had to do with broadband. The need for the frequencies that are occupied by New Jersey Network are going to be worth, I'm not sure -- hundreds of millions? -- but a lot of money in the future. And what my fear is, is some private entity will come in and maybe not push NJN and bring it to what it can do, and then sell it off at some point. And the State would lose a very valuable resource.

The only thing I had against NJN is they took off *Lovejoy* -- which was a very good program -- about eight years ago.

SENATOR VAN DREW: It was good.

MR. STRACHAN: Yes.

SENATOR VAN DREW: I liked it -- *Lovejoy*.

SENATOR GILL: What was it?

MR. STRACHAN: It was a British television show. (laughter)

MR. DONAHUE: Two minutes.

SENATOR VAN DREW: You've got to be kind of odd -- you and me are it. (laughter and applause)

MR. STRACHAN: Okay; at least somebody got the reference on that.



Thank you.

SENATOR GILL: I don't stay up that late. (applause)

MR. DONAHUE: Eric Richard.

**ERIC RICHARD:** Chairwoman Gill, members of the Committee, good evening. Thank you very much for the two minutes.

We had some extensive comments, prepared for you, to deliver. I will file those in the record for you.

I just want to thank you for the opportunity to testify, and because time is of the essence I will cut to the chase. The New Jersey State AFL-CIO has long-standing concerns with privatization. We do so for a myriad of reasons, but primarily for two reasons: often it is done to the detriment not just of employees, but to the detriment of taxpayers. We respectfully ask you, as you move forward today -- we know you have a host of very complicated issues before you that you are analyzing as you move forward. As you do move forward, the State AFL-CIO respectfully asks you to make the employees of NJN a priority, many of whom are in the room this evening.

Assemblyman Giblin -- we want to thank you. We'd like to thank Assemblyman Amodeo for asking some of the tough questions tonight as it relates to the employees of NJN -- we'd like to reiterate that.

As it mentions in the business plan: If all the employees of NJN are laid off, what is going to be the process for hiring them? Is seniority going to be respected? Are wages and benefits going to be similar as they are now? Are employees going to have the opportunity to keep their union? Are employees going to have the opportunity to keep their

bargaining rights? We're defenders of the working class of the AFL-CIO, and these types of issues are of the utmost importance to us.

So again, as you move forward, as you move forward with these very difficult scenarios that have been presented to you tonight, we respectfully ask you to move forward to keep in mind the most importance aspect of NJN: that's the employees.

As you move forward, please think of them. Please understand that this is going to come to a very potentially devastating end for the employees here, and we want to make sure that everything that can be done through your recommendations are being done.

Again, Assemblyman Giblin, thank you for asking the tough questions. Thank you, Assemblyman Amodeo. And we'd like to be a resource for you as you move forward in trying to answer some of these questions.

Thank you very much.

SENATOR GILL: Thank you. (applause)

MR. DONAHUE: Grace Bethea.

SENATOR GILL: Next?

MR. DONAHUE: And after Grace Bethea, Larry LiMato.

**G R A C E B E T H E A:** Good evening. My name is Grace Bethea; I work at NJN. I am an Engineering Technician.

I have three issues that I want to make sure are on the record, and I will be really brief. I have a pamphlet -- you can look at it at your leisure.

The first thing I want to make known and for the record is: If NJN's licenses are transferred to a new entity on January 1, we will be

unemployed. We will be unemployed. You can't write anything in, and you can't manufacture anything -- we will be unemployed. One hundred and twenty-nine -- plus one new employee -- 130 employees will be unemployed. That's case number one.

Case number two: We heard over the last two hearings that it would cost a lot of money to retrain the employees -- the current employees. We train ourselves. We had new equipment, upgraded equipment -- we had in-house training. We don't send them out to school, we bring the instructor in at no cost to the State and we train ourselves. We have a state-of-the-art master control -- tapeless. We have edit machines -- tapeless. We are in the 21st century and we train ourselves -- hands-on training of ourselves.

And the last issue I would like to make: No disrespect to the Task Force, but several of the Task Force members sponsored bills that mirrored the Governor's before this last hearing. That was very disappointing -- very disappointing. Now we are supposed to believe that you're going to take everything we said, deliberate over it, and come up with a sound decision for the direction NJN should go in? I don't think so. This Task Force is divided. That and (indiscernible) proposals or bills could have waited until after this last hearing -- to after the findings. But no; they were presented to the public before this last hearing and we are very disappointed -- very disappointed.

And I am done. (applause)

MR. DONAHUE: Larry LiMato.

SENATOR GILL: I think Senator Van Drew wants to ask a question.

SENATOR VAN DREW: I just wanted to clarify. I mean, the only, that I know of -- and there may be some others that have sponsored bills, but that wasn't the Chairperson or myself or anybody here. There's only one bill that we know that was sponsored, and it was the Chairperson and I prime co-sponsored the bill to establish this Task Force to ensure that this thing was done fairly, and properly, and everybody had a voice.

SENATOR GILL: I think there's the bill dropped by Senator Kyrillos, and it mirrors the position of the Governor. So I don't know that that-- By dropping that bill, I don't know that it necessarily indicates the position of the whole Task Force. It's a bill that he dropped, and he has the right to do it at any time he wants to do it.

ASSEMBLYMAN DeCROCE: We dropped the bill and (indiscernible) the companion bill to that bill.

SENATOR GILL: Okay.

ASSEMBLYMAN DeCROCE: All it does is give the authority to the Treasurer to do the transfer of the license, should it occur. Because if there's going to be anybody who is interested in taking over the station, they have to have the ability to transfer that license at some time before January 1.

SENATOR GILL: And it speaks to that, is my understanding.  
Sir.

**L A R R Y L i M A T O:** Good evening. On behalf of the staff of NJN, I would like to thank the members of this Task Force who have dedicated their time and efforts towards discovering the true value of NJN and its assets. We appreciate what a monumental undertaking this is in regards to the ownership of the physical assets, the licenses, FCC regulations,

personnel requirements, union concerns, two boards, the Foundation, and public concerns.

My name is Larry LiMato. I'm an engineering technician and co-shop steward, and have worked at NJN for over 30 years. I have the task of trying to sum up the staff's concerns regarding the possible privatization of NJN.

NJN should not be compared to privately owned or commercial television networks. It is unfair to the network and disingenuous to the public to make such a comparison. We understand the financial constraints of the Governor and that the Legislature are under. Many good, worthwhile programs have already been abolished or drastically cut, but severing NJN's relationship with the State will have far-reaching repercussions because the need for the services we provide will still exist.

As it has already been stated, but certainly bears repeating: You cannot put attachments to the sale or transfer of NJN's licenses. And once the licenses are gone, they are gone forever. Because, let's face it: Who would be foolish enough to give them back?

It's especially troubling to see such eagerness to get rid of such a valuable asset without having an independent asset evaluation by a disinterested, unimpeachable third party. I would hope that this Task Force takes that into consideration before making your final recommendation.  
(applause)

NJN needs your support and wisdom at this critical juncture. We understand the financial crisis that has caused this situation, but privatizing NJN and giving away or selling the licenses at this moment in time, which is on the cusp of a communication revolution, is foolish at best

and unworthy of the investment the taxpayers have made in NJN over the years. NJN's staff firmly believes that supporting Senator (*sic*) Wisniewski's proposed legislation, Bill No. A-2949, which would keep NJN a State entity and give us the freedom to provide the essential services NJN taxpayers deserve and need, is the only logical alternative.

A-2949 will allow us to raise funds easily, conduct business faster and more efficiently, and better serve the public while remaining a State-owned organization. It's a win-win for everyone.

The industry is changing almost daily. My colleagues have provided alternative revenue streams that we are eager to pursue. And I would ask you to consider that President Obama has created a Task Force to explore releasing the broadband spectrum, currently owned by public broadcasting networks, and creating a fund to subsidize them with the money garnered from the leasing of the spectrum. This windfall may be only a year or two away. Giving away millions of dollars in taxpayer assets is, in essence, robbing the public trust in light of the potential revenue.

And whomever is rewarded with this asset will be free to profit from the investment that New Jersey taxpayers have made for over 40 years, and they will be without any legal obligation to provide the services that are so desperately needed.

MR. DONAHUE: Two minutes.

MR. LiMATO: Supporting NJN now will send a clear message to your constituents, the taxpayers, that the New Jersey Legislature has the knowledge and foresight to hold onto an asset with such untold revenue potential.

Long live New Jersey Network. Thank you. (applause)

MR. DONAHUE: Nila Aronow, and then Bob Wick

**N I L A     A R O N O W:** Well, I don't know how to follow that.  
(laughter)

SENATOR GILL: Well, whatever you're going to do, you have two minutes.

MS. ARONOW: I know. (laughter)

I'm Nila Aronow. I work in the Production department and I wanted to talk about, whatever it is at stake here, I think we all agree the most essential thing that's at stake is NJN's coverage of news, public affairs. But I keep wanting to say, "But wait, there's more." And I think we've heard tonight of the many more things that NJN does and that NJN broadcasts, and our many, many involvements.

I have written it all carefully. You each have a copy; I hope you'll read it.

I wanted to tell you especially about some of the programs that I work with, about *Classroom Close-up NJ*, which is a weekly educational series; even about *Homeless Tails*, which tries to place homeless little cats and dogs. I especially wanted to talk about *State of the Arts*, which is one of the most outstanding local art shows in the country. We partner with the State Council on the Arts, follow big stories, little stories, all the things coming up this season. I hope you'll watch the show, and I hope you'll read what I've written.

We do so many things with our arts show. We do stories about kids at school. We'll do the new conductor at the New Jersey Symphony. We do stories on economic impact and cultural tourism, and we take people to Peters Valley in Sussex County, Grounds for Sculpture Hamilton,

Wheaton Arts in Millville. The artists and arts groups love being on the show because they, otherwise, would never get the recognition that they really need and really deserve.

We have national documentaries that play all across the country that bring credit back to New Jersey because they are about New Jersey. We are very New Jersey-centric on the show, we're very 21st century. We have great partnerships with organizations all through the state because we've got the technical savvy that they really want.

I'll just sum it up: I would say it-- I like to say about *State of the Arts*, when I talk about *State of the Arts* -- but this time I'm going to say, when I talk about NJN -- I like to say nobody does it better. But the truth is that without NJN, nobody does it at all.

Thank you. (applause)

MR. DONAHUE: Bob Wick.

SENATOR GILL: Don't use your two minutes setting up.  
(laughter)

**B O B W I C K:** I have submitted to you hours and hours of work that I beg you to look at. I'm an officer in two independent radio stations here in New Jersey, also an employee of NJN for 25 years.

Many of these things stated earlier could be refuted at another time. My focus is on NJN's FCC-issued licenses. As a non-commercial educational station, we are obligated by the Commission to meet the needs of the city of license, which we do. We give the people what they need, not necessarily what they want. We are not ratings-driven. We are responsible for the content of our program -- unlike the internet which is unchecked



journalism -- and the quality of others refuting us. Look at their signals, look at their programming: compare it to NJN.

I beg you to please read what I submitted to you, and what NJN submitted to you as well as far as the Hughes Report, especially pages 35 to 50. That is the summation of six months of intense study by people from all over the place in 1967. It's a 40-year-old document -- but we still eat, and you still need to eat, from the table of NJN. We give you what you need, what you want.

I also beg you to read Form 314 of the Commission -- the worksheet that I gave you is the checkpoints for a license transfer. When you transfer a license, you transfer all assets and you transfer all authority forever -- it is irreversible. Read it -- I beg you to read it. What I submitted in April to the Assembly apparently went, largely, unread.

And I also -- if that's still working -- I point to you, as an RF transmitter person, when the internet and the cable goes down -- and it does -- the only thing which will be on the air are our TV transmitters and, specifically, our radio transmitters. On 9/11, when New York went off the air, Peter Jennings was on our air for a week. (applause)

Finally, NJN is a public service. We are not a business. We operate by business principles, but we are a public service. And, as such, we need to be protected and supported while whatever transition you plan to do is done responsibly and not recklessly.

And I thank you. (applause)

SENATOR GILL: Thank you, sir.

That concludes all testimony, and that concludes this meeting.

MR. DONAHUE: I have to read into the record-- I was requested to read into the record--

SENATOR GILL: Oh, yes. There is one-- We received a letter -- a recent telephone call from a viewer of NJN whose son is disabled. And I told her that even though she could not attend, she could send the letter and I would have the letter read. So that's what we're going to do.

MR. DONAHUE: "I am submitting these comments in support of New Jersey Network. I am a single mother of a severely disabled child. NJN provides a significant benefit to my child. It is his window on the world and a substantial part of his education.

"My son, Scott, has quad cerebral palsy. He is confined to a wheelchair and does not have use of his arms or legs. Scott has many medical issues that make it unfeasible for him to attend school as any other child his age would. He receives just 10 hours per week of in-home instruction and just over an hour of instruction at the local school.

"Scott watches NJN every day. The shows on NJN are a source of information for him. He has learned math from *Cyberchase*; science from *Fetch!*; reading from *WordWorld* and *Super WHY!*; problem solving from *Curious George*, and social skills from *Dragon Tales*, *Barney*, and *Sesame Street*. He even enjoys the music, cooking, and travel shows. Social skills are particularly important for Scott because he is so isolated. He has just one friend his age, who visits him once or twice a month.

"Watching educational television on NJN has helped Scott immensely. Scott is normal intellectually but his physical limitations prevent him from access and expression. He cannot hold a book or turn the page. He cannot operate a computer or an iPod. He can watch TV and he

remembers what he watches. Scott can tell time and knows the schedule of his favorite shows.

“Television provides access to places and information for Scott that he would not otherwise experience. For example, Scott knows about coral reefs and that coral is an animal not a plant. He knows about endangered species and recycling.

“Scott and I watch NJN together, off-air, via an antenna on our roof. As a single mother, I cannot afford cable TV. On a personal note, I have been watching NJN since the 1970s. It is a source of pride for me that New Jersey has its own network. Residents of New Jersey have built and maintained NJN. The \$6 million or \$7 million that it takes to keep NJN running is small compared to many other government projects.

“I ask that you do everything in your power to keep NJN on the air and owned by the people of New Jersey.

“Thank you for your consideration.

“Barbara Ciric, Collings Lakes, New Jersey.” (applause)

SENATOR GILL: And we do have, for less than two minutes, Kent Manahan.

**KENT MANAHAN:** Thank you, Madam Chair.

SENATOR GILL: Who usually closes out the news show, so this is, like, real appropriate. (laughter)

MS. MANAHAN: Thank you, Madam Chairman and members of this Task Force.

Your predecessors in 1968 had great foresight when they created NJN, and you’ve heard testament to that tonight with so many stories of our value.

Well, as you wrap up this hearing -- the third of your Task Force hearings -- I would like to give you my personal opinion about the options that you face.

That opinion is based on 30 years of experience with NJN as a news anchor and reporter. That experience that I have has led me to tell you that I oppose the transfer of the NJN license to a new entity without a mandate -- without a mandate for news and public affairs and New Jersey-centric programming that is substantially equivalent in quality and quantity to what we broadcast today. Without that mandate there is only a promise, a pledge, good intention -- but not a guarantee. And the people of New Jersey deserve that guarantee. We deserve our own programming about our state.

And the value of the broadband which was discussed at the meeting last week, at the Task Force hearing, and again tonight by a number of speakers -- there could be a potential windfall for NJN, for the PBA, and for our future. Why would the State want to give that up before we know whether or not the FCC will make changes?

The New Jersey Public Broadcast Authority adopted a statement of principles and recommendations on June 1 of this year. Those principles reinforce the objectives of the original Hughes Report of 1968. We don't want to go back to pre-1968 in New Jersey, ladies and gentlemen.

I thank you very much for all of your time and consideration that you've given this important work, and I look forward to continuing to work with you as you consider the fate of NJN.

Thank you very much. (applause)

SENATOR GILL: The meeting stands adjourned. Thank you very much.

**(HEARING CONCLUDED)**

## **APPENDIX**

**BEFORE THE  
NEW JERSEY STATE SENATE  
COMMERCE AND ECONOMIC GROWTH COMMITTEES**

**TESTIMONY OF  
JOSEPH CURTO, PRESIDENT, NEW YORK SHIPPING ASSOCIATION,  
INC.**

**STATE HOUSE, TRENTON, NEW JERSEY**

**SEPTEMBER 23, 2010**

MY NAME IS JOSEPH CURTO. I AM THE PRESIDENT OF THE NEW YORK SHIPPING ASSOCIATION, INC. (NYSA), AN ASSOCIATION OF MARINE TERMINAL OPERATORS, STEVEDORING COMPANIES, AND OCEAN CARRIERS ENGAGED IN INTERNATIONAL TRADE AND COMMERCE IN THE PORT OF NEW YORK AND NEW JERSEY. NYSA NEGOTIATES AND ADMINISTERS COLLECTIVE BARGAINING AGREEMENTS ESTABLISHING THE TERMS AND CONDITIONS OF

EMPLOYMENT OF LONGSHORE WORKERS REPRESENTED BY THE INTERNATIONAL LONGSHOREMEN'S ASSOCIATION, AFL-CIO, AND PORT SECURITY OFFICERS REPRESENTED BY THE PORT POLICE AND GUARDS UNION LOCAL 1456. NYSA ADMINISTERS THESE LABOR CONTRACTS ON BEHALF OF MARINE TERMINAL OPERATORS AND STEVEDORING COMPANIES THAT EMPLOY THESE 4,000 WORKERS WHO ARE REQUIRED TO BE LICENSED BY THE WATERFRONT COMMISSION IN ORDER TO ENGAGE IN THEIR CHOSEN OCCUPATION.

NYSA'S MEMBERS ARE ENGAGED IN THE OPERATION OF AN ECONOMIC ENGINE THAT IN 2008 SUPPORTED 165,000 DIRECT JOBS AND ACCOUNTED FOR 270,000 TOTAL JOBS IN THE REGION AND WAS RESPONSIBLE FOR GENERATING MORE THAN \$11.2 BILLION IN PERSONAL INCOME, NEARLY \$36.1 BILLION IN BUSINESS INCOME, AND OVER \$5 BILLION IN FEDERAL, STATE, AND LOCAL TAX REVENUES.

I APPEAR BEFORE YOU TODAY TO ALERT THIS COMMITTEE TO THE UNAUTHORIZED ATTEMPT BY THE WATERFRONT COMMISSION OF NEW YORK HARBOR TO IMPOSE AN INDEPENDENT PRIVATE SECTOR INSPECTOR GENERAL (IPSIG) PROGRAM ON THESE MARINE TERMINAL OPERATORS AND STEVEDORING COMPANIES. MY



TESTIMONY IS BASED UPON MY 40 YEARS OF EXPERIENCE IN THE MARINE-CARGO-HANDLING INDUSTRY AND MY EXTENSIVE KNOWLEDGE OF MARINE-TERMINAL OPERATIONS, LABOR RELATIONS, AND THE REGULATORY ISSUES AFFECTING PORT FACILITIES NOT ONLY IN THE PORT OF NEW YORK AND NEW JERSEY BUT ALSO IN PORTS THROUGHOUT THE NATION. COPIES OF MY BIOGRAPHY AND BACKGROUND INFORMATION ON THE NYSA ARE ATTACHED TO THIS WRITTEN TESTIMONY FOR YOUR CONSIDERATION.

AS PRESIDENT OF NYSA, I REGULARLY MEET WITH THE WATERFRONT COMMISSION TO DISCUSS ISSUES RELATING TO THE COMMISSION'S ROLE IN REGULATING THE EMPLOYMENT OF WORKERS EMPLOYED BY NYSA MEMBERS. WHILE THE WATERFRONT COMMISSION'S ENABLING STATUTE, THE WATERFRONT COMMISSION ACT, REQUIRES THE COMMISSION "TO ADVISE AND CONSULT WITH REPRESENTATIVES OF LABOR AND INDUSTRY AND WITH THE PUBLIC OFFICIALS AND AGENCIES CONCERNED WITH THE EFFECTUATION OF THE PURPOSES OF [THE] COMPACT,"<sup>1</sup> THE COMMISSION DID NOT CONSULT WITH NYSA PRIOR TO ANNOUNCING

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<sup>1</sup> See N.J. STAT. ANN. § 32:23-10 (12).

ITS IPSIG PROGRAM. HAD THE COMMISSION DONE SO, IT WOULD HAVE LEARNED THAT NYSA'S MEMBERS OPPOSE THE IMPOSITION OF SUCH A PROGRAM AND BELIEVE IT IS AN IMPERMISSIBLE EXERCISE OF AGENCY POWER THAT IS NOT AUTHORIZED BY THE WATERFRONT COMMISSION ACT.

**NYSA'S MEMBERS ARE NOT CRIMINALS BUT ARE LEGITIMATE BUSINESS ENTITIES THAT ARE ALREADY OVERLY REGULATED**

THE COMPANIES RESPONSIBLE FOR DELIVERING THE PROSPERITY THAT THE PORT OF NEW YORK AND NEW JERSEY PROVIDES TO THE STATES OF NEW JERSEY AND NEW YORK ARE LEGITIMATE BUSINESS CONCERNS WHICH IN RECENT YEARS HAVE INVESTED BILLIONS OF DOLLARS IN THIS PORT. WITHIN THE PAST FIVE YEARS, FOUR OF THE SIX CONTAINER TERMINAL OPERATIONS IN THE PORT WERE SOLD IN FINANCIAL TRANSACTIONS WITH PRICE TAGS IN THE BILLIONS OF DOLLARS. FIVE OF THESE TERMINALS ARE NOW OWNED BY HUGE MULTI-NATIONAL CORPORATIONS. THE PURCHASERS OF THESE OPERATIONS ARE SOPHISTICATED FINANCIAL CONCERNS. AT LEAST TWO OF THEM WERE SUBJECT TO A REVIEW OF THEIR PURCHASES

BY THE COMMITTEE ON FOREIGN INVESTMENT IN THE UNITED STATES (CFIUS), WHICH IS THE INTER-AGENCY COMMITTEE OF THE UNITED STATES GOVERNMENT THAT REVIEWS THE NATIONAL SECURITY IMPLICATIONS OF FOREIGN INVESTMENTS OF UNITED STATES COMPANIES OR OPERATIONS. THE COMMITTEE IS CHAIRED BY THE SECRETARY OF THE TREASURY AND INCLUDES REPRESENTATIVES FROM SIXTEEN UNITED STATES DEPARTMENTS AND AGENCIES, INCLUDING THE DEPARTMENT OF DEFENSE, THE DEPARTMENT OF STATE, THE DEPARTMENT OF COMMERCE, AND THE DEPARTMENT OF HOMELAND SECURITY.

NYSA'S MEMBERS ARE HIGHLY REGULATED ENTITIES. IN ADDITION TO THE WATERFRONT COMMISSION AND THE COAST GUARD, CUSTOMS AND BORDER PROTECTION AGENCY, MARINE TERMINAL OPERATORS AND STEVEDORING COMPANIES IN THE PORT OF NEW YORK AND NEW JERSEY ARE ALSO SUBJECT TO THE JURISDICTION OF A MYRIAD OF OTHER FEDERAL, STATE, AND LOCAL AGENCIES. THE FEDERAL AGENCIES ALONE INCLUDE THE NATIONAL LABOR RELATIONS BOARD, THE OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION, THE DEPARTMENT OF LABOR, THE FEDERAL MARITIME COMMISSION, THE EQUAL EMPLOYMENT

OPPORTUNITY COMMISSION, THE ENVIRONMENTAL PROTECTION AGENCY, THE DEPARTMENT OF TRANSPORTATION, AND THE FOOD AND DRUG ADMINISTRATION. MOREOVER, MARINE TERMINALS ARE SUBJECT TO THE LAW ENFORCEMENT JURISDICTION OF THE FEDERAL BUREAU OF INVESTIGATION, THE WATERFRONT COMMISSION POLICE, THE PORT AUTHORITY POLICE, THE NEW JERSEY STATE POLICE, THE NEW YORK STATE POLICE, AND DEPENDING ON THE PARTICULAR LOCATION OF THE FACILITY, THE POLICE DEPARTMENTS OF THE CITIES OF NEW YORK, NEWARK, ELIZABETH, BAYONNE, AND JERSEY CITY.

IF EVERY ONE OF THESE GOVERNMENT BODIES WERE TO PUT INTO EFFECT AN IPSIG PROGRAM, NYSA'S MEMBERS WOULD HAVE MORE IPSIGS THAN EMPLOYEES.

**THE COMMISSION'S IPSIG PROGRAM WILL ADD TO THE COSTS OF DOING BUSINESS IN THE PORT**

NYSA AND ITS MEMBERS BEAR THE COSTS OF THE TELECOMMUNICATIONS HIRING SYSTEM THAT PERMITS THE WATERFRONT COMMISSION TO CARRY OUT ITS STATUTORY MANDATE TO MONITOR THE EMPLOYMENT OF WATERFRONT

WORKERS. IN ADDITION, NYSA AND ITS MEMBERS FUND THE OPERATING BUDGET OF THE WATERFRONT COMMISSION THROUGH AN ASSESSMENT ON THE GROSS WAGES PAID TO EMPLOYEES LICENSED BY THE COMMISSION. BY STATUTE THIS ASSESSMENT CANNOT BE IN EXCESS OF 2% OF THE GROSS WAGES PAID. THIS ASSESSMENT RAISES APPROXIMATELY \$11 MILLION PER YEAR TO SUPPORT THE OPERATIONS OF THE COMMISSION — A COST THAT ADDS AN ADDITIONAL \$4.00 TO THE COST OF HANDLING A CONTAINER IN THE PORT OF NEW YORK AND NEW JERSEY. THUS, IN A VERY COMPETITIVE BUSINESS ENVIRONMENT THE COSTS OF THE TERMINAL OPERATORS AND STEVEDORING COMPANIES IN THE PORT OF NEW YORK AND NEW JERSEY ARE AT A MINIMUM \$4.00 HIGHER PER CONTAINER THAN THE COSTS BORNE BY THEIR COMPETITORS IN OTHER PORTS. THE REASON I SAY “AT A MINIMUM” IS BECAUSE THE 2% ASSESSMENT IS NOT THE ONLY COSTS ATTRIBUTABLE TO COMPLIANCE WITH COMMISSION MANDATES. THE INDIVIDUAL COMPANIES SUBJECT TO THE COMMISSION’S JURISDICTION COLLECTIVELY INCUR MILLIONS OF DOLLARS IN PROFESSIONAL-SERVICE FEES TO HANDLE LICENSING AND COMMISSION COMPLIANCE. NOW THESE COMPANIES WILL BE FACED WITH

ADDITIONAL COSTS ATTENDANT WITH THE COMMISSION'S CONTEMPLATED IPSIG PROGRAM THAT THEIR COMPETITORS IN OTHER PORTS WILL NOT INCUR IF THIS PROGRAM IS NOT ABANDONED. THESE ADDITIONAL ASSESSMENTS ARE FISCALLY IMPRUDENT AS THEY WILL INCREASE THE COSTS OF DOING BUSINESS IN THE PORT AND LEGALLY IMPERMISSIBLE AS THEY ARE NOT AUTHORIZED UNDER THE WATERFRONT COMMISSION ACT.

**THE COMMISSION IS REGULATING BEYOND ITS MANDATE**

THE WATERFRONT COMMISSION IS A BI-STATE INSTRUMENTALITY CREATED BY AN INTERSTATE COMPACT BETWEEN THE STATES OF NEW JERSEY AND NEW YORK THAT WAS APPROVED BY AN ACT OF THE CONGRESS OF THE UNITED STATES IN 1953. ONE OF THE COMMISSION'S FUNCTIONS IS TO INVESTIGATE AND LICENSE STEVEDORING COMPANIES THAT EMPLOY LONGSHORE WORKERS. IN ANNOUNCING ITS IPSIG PROGRAM AND SEEKING EXPRESSIONS OF INTEREST AND STATEMENTS OF QUALIFICATIONS FROM APPLICANTS INTERESTED IN ACTING AS IPSIGS FOR STEVEDORING COMPANIES, THE COMMISSION STATED:

THE IPSIG WILL ESTABLISH AND MAINTAIN  
INTERNAL CONTROLS DESIGNED TO DETER

UNETHICAL OR ILLEGAL CONDUCT, AND WILL REPORT ANY UNETHICAL OR ILLEGAL CONDUCT OBSERVED BY THE COMMISSION. THE IPSIG WILL EXAMINE THE OPERATIONS OF STEVEDORING COMPANIES TO ENSURE THAT THEY RUN EFFECTIVELY WITHOUT FRAUD, CRIMINAL INFLUENCE, IMPROPER ACCOUNTING AND/OR HIRING PRACTICES, OR THEIR MALFEASANCE. THE COMMISSION MAY REQUIRE A STEVEDORING COMPANY TO RETAIN AN IPSIG PURSUANT TO A RESPONSIBILITY AGREEMENT OR STIPULATION WITH THE COMMISSION, IN ORDER FOR THAT STEVEDORING COMPANY TO CONTINUE TO OPERATE IN THE PORT. UPON SELECTION BY THE COMMISSION, THE IPSIG WILL BE HIRED BY THE STEVEDORING COMPANY BUT WILL REPORT DIRECTLY TO THE COMMISSION, WITH THE STEVEDORING COMPANY RETAINING

RESPONSIBILITY FOR PAYMENT OF IPSIG'S  
SERVICES.

IN THE ANNOUNCEMENT OF ITS IPSIG PROGRAM, THE WATERFRONT COMMISSION HAS NOT PROVIDED A SINGLE CITATION TO A PROVISION IN THE WATERFRONT COMMISSION ACT THAT EMPOWERS IT TO IMPLEMENT THE PROGRAM. THE REASON IS CLEAR: NOTHING IN THE WATERFRONT COMMISSION ACT AUTHORIZES THE COMMISSION TO IMPOSE AN IPSIG PROGRAM. INDEED, THE STATUTE PROHIBITS SUCH A MANDATE BECAUSE IT WOULD IMPOSE AN ADDITIONAL CHARGE IN EXCESS OF THE LIMIT OF 2% OF PAYROLL. THE COMMISSION'S PROPOSED IPSIG PROGRAM NOT ONLY EXCEEDS ITS AUTHORITY UNDER ITS ENABLING STATUTE BUT ALSO CONSTITUTES IMPERMISSIBLE LEGISLATIVE ACTIVITY IN VIOLATION OF THE CONSTITUTIONALLY-REQUIRED SEPARATION OF POWERS.

THE WATERFRONT COMMISSION COMPACT EXPLICITLY PROVIDES THAT ANY AMENDMENTS TO THE COMPACT MUST BE ADOPTED BY SUPPLEMENTARY ENACTMENTS ADOPTED BY THE LEGISLATURES OF BOTH STATES. IN SEEKING TO IMPLEMENT AN



IPSIG PROGRAM ON ITS OWN WITHOUT SEEKING LEGISLATIVE AUTHORITY, THE WATERFRONT COMMISSION IS USURPING THE ROLE AND AUTHORITY OF THE LEGISLATURES OF THE STATES OF NEW JERSEY AND NEW YORK. THE PEOPLE'S ELECTED LEGISLATORS, NOT APPOINTEES IN AN EXECUTIVE AGENCY, HAVE THE RIGHT AND POWER TO DETERMINE WHETHER AN IPSIG PROGRAM IS APPROPRIATE AND, IF SO, WHAT SUBSTANTIVE STANDARDS SHOULD APPLY IN DETERMINING WHEN THE IMPOSITION OF AN IPSIG IS WARRANTED. THIS IS HOW THE LEGISLATURE OF THE CITY OF NEW YORK ESTABLISHED AN IPSIG PROGRAM FOR THE CITY'S PRIVATE CARTING INDUSTRY. IT ENACTED A LEGISLATIVE MANDATE THAT PERMITTED THE TRADE WASTE COMMISSION OF THE CITY OF NEW YORK TO REQUIRE A PRIVATE CARTING COMPANY IT REGULATES TO HIRE AN IPSIG IF THE COMPANY IS THE SUBJECT OF A PENDING INDICTMENT FOR A CRIME THAT WOULD PROVIDE GROUNDS FOR THE DENIAL OR REVOCATION OF ITS LICENSE.<sup>2</sup> THE WATERFRONT COMMISSION'S PROPOSED IPSIG PROGRAM HAS NO SIMILAR CRIMINAL CULPABILITY STANDARD. INSTEAD, THE COMMISSION

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<sup>2</sup> See N.Y. CITY ADMIN. CODE § 16-511(b).

BESTOWS UPON ITSELF THE UNFETTERED DISCRETION TO IMPOSE AN IPSIG AS THE COMMISSION SEES FIT.

**THE IPSIG IS A FLAWED CONCEPT FOR PORT EMPLOYERS**

THE IPSIG CONCEPT HAS ITS ROOTS IN THE 1989 *NEW YORK STATE ORGANIZED CRIME TASK FORCE REPORT ON CORRUPTION AND RACKETEERING IN THE NEW YORK CITY CONSTRUCTION INDUSTRY*. CURRENT WATERFRONT COMMISSIONER RONALD GOLDSTOCK WAS THE PRIMARY AUTHOR OF THAT REPORT AND HAS BEEN AN ACTIVE PROPONENT OF THE IPSIG CONCEPT. COMMISSIONER GOLDSTOCK HAS WRITTEN ABOUT THE BROAD POWERS THAT COULD BE BESTOWED ON AN IPSIG, INCLUDING THE ABILITY TO:

- ACCESS THE BOOKS, RECORDS, FILES, ACCOUNTS, AND CORRESPONDENCE OF THE ORGANIZATION;
- DISCIPLINE, DISMISS, REMOVE, AND REPLACE OFFICERS, EMPLOYEES AND MEMBERS OF THE ORGANIZATION;
- REVIEW AND VETO CERTAIN BUSINESS OPERATIONS OF THE ORGANIZATION; AND
- APPROVE MAJOR CONTRACTS ENTERED INTO BY THE ORGANIZATION.

THESE ARE CERTAINLY BROAD AUTHORITIES THAT THE COMMISSION WOULD GIVE TO MONITORS WHO IN ALL LIKELIHOOD HAVE NEVER EVEN BEEN INSIDE A MARINE TERMINAL. COMMISSION-APPOINTED IPSIGS SHOULD NOT BE PERMITTED TO REPLACE THE EXPERTISE OF INDUSTRY MANAGEMENT IN RUNNING THESE COMPANIES. WE ARE TALKING ABOUT BILLIONS OF DOLLARS IN CORPORATE INVESTMENT IN THESE COMPANIES THAT ARE DEPENDENT ON THE SKILL AND DISCRETION OF THEIR MANAGEMENT TO NAVIGATE AN EVER-CHANGING BUSINESS ENVIRONMENT. SUCH AN IMPOSITION WOULD RENDER THE WATERFRONT COMMISSION AS OVERSEER OF ALL THE BUSINESS OPERATIONS AND DECISIONS OF THE STEVEDORING COMPANIES IN THE PORT. WE DO NOT BELIEVE THE COMMISSION HAS THE LEGAL AUTHORITY OR COMPETENCE TO UNDERTAKE THIS ROLE. THE WATERFRONT COMMISSION'S IPSIG PROGRAM IMPERMISSIBLY INTERFERES WITH THE ABILITY OF STEVEDORING COMPANIES TO MANAGE THEIR BUSINESSES AND FULFILL THEIR OBLIGATIONS TO THEIR CUSTOMERS, INVESTORS, AND THE PUBLIC.

THE AGENCY'S ACTIONS WILL ALSO HAVE A CHILLING EFFECT ON PRIVATE SECTOR INVESTMENT IN THE PORT IF IT IS KNOWN THAT ON A WHIM THE COMMISSION CAN DISPLACE A COMPANY'S MANAGEMENT TEAM.

INVESTORS ARE LIKELY TO SHY AWAY FROM INVESTMENT IN A COMPANY, WHEN IT IS KNOWN THE COMPANY'S MANAGEMENT TEAM CAN BE REMOVED OR SECOND-GUESSED BY AN AUDITOR OR MONITOR ACCOUNTABLE ONLY TO THE COMMISSION.

**THE COMMISSION REQUIRES LEGISLATIVE OVERSIGHT**

THE ENTIRE CONCEPT REEKS OF UNBRIDLED POWER ASSERTED NOT IN CONFORMANCE WITH A STATUTORY MANDATE BUT BY ADMINISTRATIVE FIAT. SIMPLY PUT, THE IPSIG CONCEPT IS THE WRONG PROGRAM, IMPOSED FOR THE WRONG REASONS, BY THE WRONG PARTY. IF THE COMMISSION BELIEVES AN IPSIG PROGRAM IS RIGHT, IT SHOULD PRESENT ITS PROPOSAL TO THE LEGISLATURES OF NEW JERSEY AND NEW YORK. ONLY THEN CAN THESE LEGISLATIVE BODIES EXAMINE THE WISDOM OF THIS PROGRAM IN THE LIGHT OF APPROPRIATE LEGISLATIVE PROCEEDINGS IN WHICH ALL INTERESTED PARTIES WOULD HAVE THE RIGHT TO EXPRESS THEIR VIEWS AS TO THE NECESSITY FOR THE PROGRAM AND THE APPROPRIATE SUBSTANTIVE CRITERIA THAT SHOULD CONTROL.

WE URGE THIS COMMITTEE TO CONTACT THE GOVERNOR TO EXPRESS ITS DISPLEASURE WITH THE ACTS OF THE WATERFRONT COMMISSION IN SEEKING TO IMPOSE AN IPSIG PROGRAM ON STEVEDORING COMPANIES WITHOUT LEGISLATIVE AUTHORITY AND TO RECOMMEND THAT THE COMMISSION ABANDON THIS COURSE.

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**September 23, 2010 [HAROLD J. DAGGETT, EXECUTIVE VICE PRESIDENT,  
INTERNATIONAL LONGSHOREMEN'S ASSOCIATION,  
AFL-CIO, TESTIMONY TO NEW JERSEY SENATE  
ECONOMIC GROWTH COMMITTEE ]**

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Members of the Senate Economic Growth Committee, my name is Harold J. Daggett and I serve as Executive Vice President of the International Longshoremen's Association, AFL-CIO.

The ILA is the largest union of maritime workers in North America. We represent 65,000 members working at ports on the Atlantic and Gulf Coast, Great Lakes, Eastern Canada, Puerto Rico and major U.S. rivers.

When I returned home from service in Vietnam with the U.S. Navy the late 1960s, I went right to work on the waterfront. There I was among one of some 30,000 ILA members employed in the Port of New York and New Jersey. Our International membership at that time topped 125,000.

Containerization was only in its infant stages then but that automation and other factors would result in the amazing erosion of ILA jobs over the next four decades to where we are around 4,000 today in the Port of New York and New Jersey.

While our membership numbers have been reduced, the amount of cargo handled in this port has more than tripled over that same period.

The region continues to enjoy valuable economic prosperity generated by the Port of New York and New Jersey.

I am proud to note that the ILA has continued to negotiate contracts with our employers that buffered the loss of man-hours by our members while providing generous wage, health benefits and pension plans for our present ILA members.

ILA fringe benefit packages for its members are funded through assessments on cargo and here we see the delicate balance that our employers must strike between paying our ILA members decent wages and benefits and keeping New York and New Jersey competitive with other ports.

My union felt it was important that we appear today and join with New York Shipping Association to alert you to a challenge to our port's competitiveness: the unauthorized attempt by the Waterfront Commission of New York Harbor to impose an Independent Private Sector Inspector General program on marine terminal operators and stevedoring companies.

The proposal being discussed today is a perfect example of that kind of over regulation that chokes economic growth and kills jobs.

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**September 23, 2010 [HAROLD J. DAGGETT, EXECUTIVE VICE PRESIDENT,  
INTERNATIONAL LONGSHOREMEN'S ASSOCIATION,  
AFL-CIO, TESTIMONY TO NEW JERSEY SENATE  
ECONOMIC GROWTH COMMITTEE ]**

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ILA employers in New Jersey and New York have been challenged for decades by their having to fund the Waterfront Commission. No other port area on the East Coast, Gulf Coast and even the West Coast is burdened with this extra cost, funded by an assessment on wages paid to our members.

Plain and simple, this is a tax on jobs.

The Inspector General program proposed by the Waterfront Commission adds another unnecessary layer of bureaucracy, and more importantly, further jeopardizes the competitive balance of this port region against others. It will also lead to higher costs of doing business in this port without providing any benefit.

Citizens of New Jersey already pay through local, state and federal taxes, to fund our U.S. Department of Homeland Security, U.S. Justice Department, U.S. Coast Guard, Port Authority Police, New Jersey State Troopers, the U.S. Department of Labor, the U.S. Department of Transportation, Occupational Safety and Health Administration, the Federal Maritime Commission and local police.

All of these agencies have authority to monitor and police our ILA members and employers.

Do our citizens need another tax on doing business at New Jersey ports?

The powers of the Waterfront Commission flow from the Legislatures of both New Jersey and New York.

We believe this proposal exceeds the authority granted to the Commission and we ask you to take action to eliminate it before more damage is done to our maritime commerce.

Thank you.

**Harold J. Daggett**  
**Executive Vice President**  
**International Longshoremen's Association, AFL-CIO**

Harold J. Daggett was unanimously elected Executive Vice President of the International Longshoremen's Association, AFL-CIO in at the union's quadrennial convention in July 2007. For the previous seven years, Daggett held the position of Assistant General Organizer with the ILA. Daggett also is President of ILA Local 1804-1, the General Maintenance local covering ILA members in the Port of New York and New Jersey.

Previously, Mr. Daggett served as Secretary-Treasurer of the Atlantic Coast District, ILA, a position to which he was first elected in 1991, with subsequent reelections in 1995 and 1999.

A third generation ILA member, Mr. Daggett followed in the footsteps of his father and namesake, Harold Daggett, Sr., who worked in the ILA industry for 57 years. Mr. Daggett himself is now a veteran of 43 years with the ILA. He first joined ILA Local 1804-1 following an honorable discharge from the U.S. Navy in 1967, where he saw combat duty in Vietnam in the mid-1960s.

Mr. Daggett was born in West Greenwich Village in Lower Manhattan, New York and spent his boyhood years in Woodside, Queens. He distinguished himself in scouting, first as a Cub Scout and later as a Boy Scout with Troop 127 in Queens. In his adult life, Mr. Daggett was honored by the Greater New York City Council, Boy Scouts of America with their prestigious *Good Scout Award*.

Mr. Daggett later studied at Cardinal Farley Military Academy in upstate New York, from which he graduated from prior to joining the U.S. Navy.

He began his ILA career as a mechanic with Local 1804-1 and eventually worked his way up to foreman. For 11 years, he was with Sea-Land Services until his appointment in 1980 as Secretary-Treasurer and Business Agent of that local. He was later re-elected six times to that post, while also serving terms as Secretary-Treasurer of the New York-New Jersey District Council. In 1998, he was elected President of ILA Local 1804-1.

Mr. Daggett has been a member of numerous labor and maritime committees. He has served as a Wage Scale delegate for his local since 1981.

For Master Contract negotiations, Mr. Daggett served on the Jurisdiction sub-committee.

Through his leadership, Mr. Daggett and the members of Local 1804-1 have raised more money for the ILA Children's Fund – which benefits The Hole In the Wall Gang Camp – than any other local in ILA. His local is also actively involved in other charities, including Toys for Tots and St. Jude's Children's Hospital.

The father of three children – Lisa, Dennis and John – Harold Daggett and his wife Patricia reside in Sparta, New Jersey.

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Spring 2010



**Testimony of J. Randolph Brown, President  
Metropolitan Marine Maintenance Contractors' Association, Inc.**

**Before the New Jersey State Senate Commerce and Economic Growth Committee**

**On the Matter of**

**The Waterfront Commission's Intended Use of Independent Inspector Generals**

**State House, Trenton New Jersey, September 23, 2010**

**Introduction to Metropolitan Marine Maintenance Contractors' Association, Inc.**

My name is J. Randolph Brown. I am President of Metropolitan Marine Maintenance Contractors' Association (Metropolitan Marine), a non-profit organization of Employers who have provided maritime services to the Port of New York/New Jersey (the Port) since 1947. Today, Metropolitan Marine consists of 27 companies that perform maintenance and repair of containers, chassis, container handling equipment, facilities, plus the securing of containers aboard vessels.

In 2009, Metropolitan Marine employers generated 2.1 million hours of Metro-ILA work, approximately 20% of the Port's total ILA hours, and paid \$78 million in wages and \$44 million in benefits to funds jointly managed with the International Longshoremen's Association affiliated locals 1814 and 1804-1. The latter is a New Jersey-based local and typically accounts for about 85% of the Metro-ILA hours. The two locals combined have approximately 900 members.

Historically, the Waterfront Commission (the Commission) has exercised authority over Metro-ILA jobs only to the extent that it involves the licensing of employers and the ILA

members who wish to work in the marine terminals, but not at Metropolitan Marine facilities outside of the Port proper. Unlike the NYSA, the Commission does not exercise oversight of the daily hiring of individuals, nor the balancing of its labor supply and demand.

Personally, I have worked in various capacities in the Port for over 40 years—with terminal operators, ocean carriers, as an independent consultant to the Port—with ILA labor, the NYSA, and, now, Metropolitan Marine. I believe this experience gives me considerable insight into the matters being addressed by these hearings.

### **IPSIG**

We are here today because the Commission now proposes the institutionalization of Independent Private Sector Inspector Generals, or IPSIGs, within the Port. Metropolitan Marine sees value in the Commission's objective of ridding the Port of organized crime influences and other acts of wrong doing to the extent they can be adequately demonstrated to exist. Nonetheless, we believe that implementation of this proposal with all of its associated costs is well beyond the authority of the Commission. We are equally concerned about the corollary issues of the attendant protection of individual and property rights and the potential economic harm such a misguided effort might needlessly inflict on the Port.

The Commission has failed to cite any legislative authority permitting IPSIGs. The Commission is authorized to issue a license to an individual or a business unless an exclusion is applicable. It cannot, however, impose the financial burdens that will be generated by agency actions and which are targeted at enhancing oversight in an

Intrusive manner specifically when the process will be conducted as part of a burdensome and oppressive procedure. The Commission—again, on its own and without legislative authorization—proposes to institute what is in effect a new licensing requirement since the implication of the scheme is that if a Employer objects to the imposition of an IPSIG, the Commission will deny them their license. We submit this not only contradicts the Waterfront Commission Act, but amounts to a denial of due process and an unlawful taking of property.

Further evidence that the Waterfront Commission proposal to institutionalize IPSIGs is unauthorized by the States derives from the fact that the cost of the IPSIGs will not be covered through the Waterfront Commission budget. The Commission operates on a two percent tax on the wages paid by the Employers, which amounts to approximately \$11 million annually. The statute plainly expects the Commission to operate within that budget and the law requires public accountability. The Commission, however, would introduce another revenue source for its intrusive activities by requiring Employers to pay for the IPSIG in addition to the 2% statutory levy. This amounts to an added illegal tax on the right to conduct business.

There are other profound reasons for stopping this unauthorized intrusion by the Commission. The expertise and techniques of those individuals who make this marine terminal system work have evolved over numerous decades. In addition, private businesses and the Port Authority have invested billions of dollars in marine terminals and supporting infrastructure that could be placed at risk by the IPSIG. An interloper should not be overseeing management decisions, questioning managerial prerogatives

and approving contracts in this highly skilled and technologically advanced Port. This would endanger the services, operating economics and infrastructure that make up one of this State's primary economic engines.

The Waterfront Commission, by its proposal, holds itself out to be the sole judge of all facets of this process. It maintains the sole right to impose an IPSIG and has the IPSIG reporting solely to it. Clearly the structure is one of Employer (Waterfront Commission) and employee (IPSIG), but with the cost passed along to stevedoring companies. If the Waterfront Commission believes it needs additional employees, the cost of which exceeds its budget, the Commission needs to find additional funding through the Legislature. Furthermore, there are no checks and balances in the proposed process, which are clearly required under the Federal and State Constitutions and laws. Nor are there any pre-established standards or metrics to guide the Employers, the Commission, or the IPSIG as to what constitutes acceptable "effective operations," in considering such things as "hiring practices" or "compliance with other relevant laws and regulations." The vagueness of the role of the IPSIG bespeaks of its "ultra vires" nature.

One important purpose of legislative evaluation of the IPSIG would be to consider whether the public good was being affected by the proposal. While there is a rightful concern about the possible loss of Port business due to unnecessarily high labor costs, there should be an equal, if not greater, concern about the possible degradation of operations and resulting loss of business due to an overly intrusive and financially burdensome IPSIG process.

### **Collective Bargaining**

Metropolitan Marine, as its designee represents its 27 members in Collective Bargaining, represents the Employers as to labor relations and other Port matters. The desire to promote harmonious industrial relations serves the goal of providing dependable service to the public at large.

When one examines the Commission's Request for Expression of Interest and Statement of Qualifications, the Commission has identified the following duties: (1) provide monitoring services; (2) oversee the operations of stevedoring companies; (3) ensure compliance with relevant laws and regulations; (4) establish and maintain internal controls; (5) examine the operations of stevedoring companies regarding hiring practices or other malfeasance. The identification of these duties together with the identified expertise sought in an IPSIG evinces a plan and design to invade the Collective Bargaining relationship.

In establishing the Commission, the State legislatures recognized and clearly intended to preserve what had become the national labor policy of promoting Collective Bargaining. Accordingly, the Commission-enabling legislation includes Article XV, which does not limit Collective Bargaining and provides, in essence, that wherever possible the Compact is to be interpreted to protect the sanctity of the bargaining relationship of the parties and their authority to bargain collectively. It also has been construed to include a proviso that wherever possible the Compact should be construed or applied as consistent with the effective Collective Bargaining Agreement. Plainly, in establishing the Waterfront Commission there was no intent by the legislature for the

Commission to operate in a manner that was incompatible with established national labor policy. What the Legislature ordained is now being sought to be undone by the unilateral and unauthorized action of the Commission. This attempted unauthorized action will, in my opinion, destabilize the Port, disrupt productivity, increase stress on the labor-management relationship and retard morale at a critical time in the development of the Port. Thus, the existence of such an intrusion into the Collective Bargaining relationship will have a chilling affect on the rights inherent in the essential process of Collective Bargaining.

The Collective Bargaining Agreement may certainly regulate and restrict (in some measure) the exercise of managerial functions, but the Employers have the obligation of hiring and firing, paying and promoting, supervising and planning, all within the confines of the law and the Collective Agreement. If one purpose of Metropolitan Marine is to represent the members and a second purpose is to promote harmonious relations between Employer and employee, Metropolitan Marine bears a heavy responsibility to assure that all unlawful intrusions that adversely impact the Collective Bargaining are legally prevented.

If Metropolitan Marine is to be successful in representing its members and in achieving the identified goals, it must be firm in the planning, funding, and executing of its policies and promises, whether they are the policies of the Metropolitan Marine or the promises agreed to by the Metropolitan Marine through Collective Bargaining. The intrusion of a third-party such as the Waterfront Commission into the Collective Bargaining relationship and environment contaminates the process, in direct contravention of the legislative mandate. The creation of the IPSIG process is a direct attempt to control and

change the terms and conditions of employment in the Port and nullify the negotiated rights and responsibilities contained in the Collective Bargaining agreements. The bargaining process cannot be subject to the discretion of an imposed stranger to the operations of the Port.

### **Conclusion**

The essence of the issue before us is really quite simple. On the one hand, the Commission seeks to initiate unauthorized, unilateral actions to expand its authority, without checks or balances, and impose additional, virtually unlimited administrative costs on the Port. Yet, New York's Inspector General's report of 2009, and the Commission's Annual Report for 2009-2010 recites, chapter and verse, the ineffectiveness of the prior Commission staff for much of the past decade in fulfilling its mandate, and chronicling how the Commission has squandered significant portions of up to \$100 million in Port employer funding. The Commission's annual report claims sweeping changes were made in just one year, but one year of restructuring hardly constitutes sufficient evidence of enduring effectiveness in its mission.

After this violation of the public trust and an obscene waste of money, the public and Port are owed more than the self-serving proclamation of success and calls for more authority and another layer of government cost via an IPSIG. Let the Commission first demonstrate that its restructuring has achieved successes that are real and durable. We urge this Committee to contact the Governor to express its disapproval with the acts of the Waterfront Commission in seeking to impose an IPSIG program on stevedoring companies without legislative authority and to recommend that the Commission abandon this course.





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WALTER M. ARSENAULT  
EXECUTIVE DIRECTOR

September 29, 2010

Via Electronic and First Class Mail

Honorable Raymond J. Lesniak  
Senate Economic Growth Committee  
State House Annex  
PO Box 068  
Trenton, New Jersey 08625-0068

Dear Senator Lesniak:

The Waterfront Commission of New York Harbor ("Commission"), having had the opportunity to ascertain the nature of the inquiry by the Economic Growth Committee ("Committee"), and having determined the specific issues requiring written testimony, hereby submits the following letter to supplement its testimony before the Senate Economic Growth Committee on September 23, 2010. Further to our correspondence to the Committee dated September 17, 2010, we respectfully request that this letter be incorporated into the record.

**Independent Private Sector Inspector General (IPSIG) Program**

After a decade of lethargy and misconduct documented by the New York State Inspector General Joseph Fisch in his August 2009 Report, the Commission is now striving to effectuate a dramatic change in the culture of a troubled industry, which has been historically and is currently plagued with organized crime and corruption. An important component of the Commission's mandate, as set forth by the Waterfront Commission Act ("Act"), is to evaluate the good character and integrity of stevedoring companies seeking to operate in the Port of New York-New Jersey, for purposes of issuing permanent licenses to those companies to operate in the Port.

In his Report, the Inspector General found "fundamental problems" with the system established by the Commission to license stevedoring companies and noted that, for at least a decade, the Commission failed in its responsibility to properly license these companies. Specifically, he found that contrary to the Act, all companies doing business in the Port were operating on short-term temporary licenses which were intended to be used only in special circumstances. The Inspector General recommended that the Commission ensure that all eligible stevedoring companies obtain permanent licenses within a reasonable time from the issuance of his Report. He unequivocally directed that, pursuant to the Act, "[c]ompanies that are ineligible for permanent licenses should cease operations at the port."<sup>1</sup> (Emphasis added)

<sup>1</sup> New York State Inspector General's Report on Investigation of the Waterfront Commission of New York Harbor, page 58. A copy of the New York State Inspector General's Report and the Commission's Response can be found on the Commission's website at [www.wcnjh.org](http://www.wcnjh.org).



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Following these findings and in light of this directive, the Commission began the process of issuing permanent licenses to stevedoring companies which possess good character and integrity, as opposed to the past practice of issuing only short-term temporary licenses without any determination as to character and fitness of applicant companies. To that end, the Commission has substantially rewritten the background investigation questionnaire for all stevedores to now require comprehensive disclosures by corporate officers and significant shareholders, in order to ensure that the Commission has all the relevant information needed to properly assess the character and integrity of the applicant companies.

As we indicated at the hearing, there is an apparent and critical distinction between the Committee's understanding of the Commission's IPSIG proposal, and the Commission's actual proposal. **To be clear, there is no proposal by the Commission to require stevedoring companies to retain Independent Private Sector Inspectors General (IPSIGs) in order to continue to operate in the Port. Rather, the Commission will permit specified stevedoring companies, at risk of not being licensed, to retain IPSIGs on as-needed basis.**

Specifically, in those instances where the Commission would otherwise deny a stevedoring company its license to operate because of exhibited criminal influence, improper accounting and/or hiring practices, or other malfeasance or misfeasance, the Commission could license that company subject to its retention of an IPSIG, which would monitor the company's operations to ensure compliance with the Act and other relevant laws and regulations. The Commission would utilize the IPSIGs under the General Powers granted to it by Article IV (5)(6)(7) of the Act, codified as N.J.S.A. 32:23-10(5)(6)(7), as well as those delegated to the Commission under Part I §5b(3) of the Act, codified as N.J.S.A. 32:23-86(3). The Commission has proposed this arrangement as a remedy to prevent the denial of a stevedore's license and the concomitant loss of jobs, and as a means to avoid protracted litigation associated with a stevedore's appeal of the Commission's determination.

**Continued Need for the Commission:  
Organized Crime Investigations and Prosecutions**

In the early 1950's, public hearings documented the pervasive corruption, extortion, racketeering and organized crime in the Port of New York-New Jersey. The conditions in the Port exposed by articles by Malcolm Johnson in the *New York Sun* and dramatized by Elia Kazan and Budd Schulberg in the 1954 film, *On the Waterfront*, begged for a regulatory body to ameliorate the corruption and racketeering that existed in the industry. In 1953, the Commission was created to investigate, deter, combat and remedy criminal activity and influence in the Port of New York-New Jersey, and to ensure fair hiring and employment practices, so that the Port and region could grow and prosper.

There is no question that when the Commission was created in 1953, it was desperately needed. At its inception and for years thereafter, the Commission was committed to its mission. It reduced surplus labor and the prevalence of criminals on the docks. Further efforts were made to reduce the mob's control and influence on the union and companies that operated within its jurisdiction.

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However, over time, the Commission suffered the fate of other regulatory bodies. Until two years ago, the Commission's hiring policy had been based on favoritism and political patronage, and staff members from New York and New Jersey were openly hostile to each other. There was virtually no communication between the Commission's grossly mismanaged divisions, and employees were afraid of expressing their opinions on pertinent areas of concern for fear of reprimand. Members of the Police and Legal Divisions were hired, for the most part, with no relevant experience and were provided with no training. Administrative hearings were conducted in a perfunctory manner to avoid complex issues, and there were no sophisticated criminal investigations, ongoing or planned. Matters in the Legal, Police and Audit Divisions languished for years, and critical decisions were rarely made. The agency's will to continue its mission declined, and the Commission languished.

Meanwhile, the historical problems that existed on the waterfront proved intractable. A long list of indictments and convictions proved the existence of mob domination but failed to remedy the problem. Clearly, it was time for the Commission to regain its former mission, to remove itself from politics, throw off its sense of lethargy and reinvigorate itself. Beginning in July 2008, the Commission did just that. Not only have the personnel and physical structure of the Commission changed but, more importantly, so did its sense of mission as the Commission re-established itself as a model regulatory and law enforcement agency.

For the first time in over a decade, the Commission's leadership is united and is demonstratively setting the tone of collaboration and cooperation for the Commission's divisions to follow. The Law Division has begun to employ legal approaches that have either never been used or have not been used for years, and is acting in coordination with the Police Division to re-establish the Commission's presence on the waterfront. The Police Division has been instrumental in developing informants and identifying criminal matters that have blossomed into major investigations with other law enforcement agencies. The newly created Intelligence Division has begun the process of collecting and classifying years of evidence for use by the rest of the Commission. It is also actively working with our law enforcement and intelligence partners to establish a legitimate presence within the greater intelligence community. Similarly, the Administrative Division has been working to rectify years of auditing mismanagement, and to strategically oversee pending audits from both an investigative and financial prospective.

Now, more than half a century later, many of the conditions that led to the formation of the Commission still continue to exist on today's waterfront. The continued economic downturn has once again resulted in an oversupply of available longshore labor – the very environment most conducive to racketeering. Over the last year, the Commission and its law enforcement partners have made arrests of organized crime members, union officials and members for demanding and receiving kickbacks in exchange for work, overtime or better assignments on the waterfront. Additional arrests in these investigations are expected in the near future.

No show and no work jobs still exist at virtually every terminal within the Port. These evils, along with union featherbedding practices, continue to rob the Port of its economic competitiveness and vitality. To determine the extent and nature of such practices and to initiate

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change, the Commission is holding public hearings this fall to examine these issues. The hearings will also examine apparent ethnic/race and gender inequalities among registrants and licensees.

Individuals who lost their licenses or registrations through criminal convictions or misconduct still work on the waterfront in “non-covered” positions allowing them to continue to receive payment and exert control. Loansharks and bookmakers, with the approval of organized crime, continue to deplete the workforce of its hard earned money. Cargo theft, often more sophisticated than in the past, is still a real problem. Workers’ compensation fraud, narcotics importation and terrorism concerns have been added to the enforcement picture.

The vitality of the Port is directly affected by organized crime influence. The Commission’s ability to regulate the size and diversity of the longshore labor force is crucial to preventing the very environment – an overabundance of available labor – that history has repeatedly shown to be most conducive to organized crime and racketeering activity.

Denying the influence of organized crime on the waterfront today is virtually equivalent to denying the existence of organized crime itself, and the need for a strong and active Waterfront Commission has never been more compelling. Indeed, as evidenced by recent arrests and convictions, mob control of the harbor is still a fact of life. The following is a summary of the Commission’s most significant cases from the 2009-2010 fiscal year:

- **Michael “Mikey Cigars” Coppola:** In July 2009, Michael “Mikey Cigars” Coppola, a capo in the Genovese crime family, was convicted of racketeering charges for exercising criminal control of New Jersey ILA Local 1235 for thirty-three years. Coppola was caught on a wire specifically discussing kickbacks with a co-conspirator, who the Commission removed from working on the waterfront for associating with a member of organized crime.
- **Anthony “Todo” Anastasio:** In 2009, former longshoreman, ILA local Vice President and Gambino soldier Anthony “Todo” Anastasio was convicted of RICO violations for extortion, arson and other charges. His trial opened with the playing of a recording from a court-ordered electronic “bug” in which Anastasio bragged about the Gambino family’s illicit grip on the New York waterfront. The Commission played a vital role in both investigations and trials.
- **Thomas Mogielnicki:** In July 2009, longshoreman Thomas Mogielnicki was arrested by Commission detectives for assaulting longshoremen who supported different candidates during union officer nominations and for causing damage to a Manhattan pier following the nominations. Mogielnicki pleaded guilty in criminal court, and is currently awaiting a hearing to determine whether his registration should be revoked.
- **John Shade:** In October 2009, the New York County Supreme Court upheld the action taken by the Commission which prompted the loss of John Shade’s position as General Vice President of the Atlantic Coast District (“ACD”) of the ILA, thereby preventing him



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from holding any ACD office. Shade had been convicted of at least five offenses, including illegal gambling, lotteries and conspiracy related to underlying racketeering charges.

- **Hector Balbuena:** In October 2009, the Commission, with the assistance of Customs and Border Protection, investigated and charged Hector Balbuena with possession of cocaine on the piers. The Richmond County District Attorney's Office is prosecuting the case.
- **Edward Aulisi:** In November 2009, the Commission removed Edward Aulisi, a checker and son of former ILA Local 1235 President Vincent Aulisi, from working on the waterfront for his association with Michael "Mikey Cigars" Coppola, a capo in the Genovese crime family. Electronically intercepted conversations between Aulisi and Coppola (while Coppola was a fugitive from justice) included Aulisi briefing Coppola about the murder investigation that Coppola had fled from, as well as assuring Coppola that Aulisi's father was continuing to kick back to Coppola at a better rate than the past president of ILA Local 1235. In addition to the association charge, Aulisi was charged with being a "phantom" employee, for failing to work hours for which he was paid.
- **Roy Maglori:** In March 2010, the Commission removed maintenance man Roy Maglori from working on the waterfront because of his association with Angelo "the Horn" Prisco, a capo in the Genovese crime family. Maglori communicated and visited Prisco while he was in prison, transferred money to his commissary account and attended his 2009 criminal trial. At the conclusion of this trial, Prisco was convicted of racketeering, extortion, robbery and murder and was sentenced to life in prison. During a telephone conversation, Maglori complained to Prisco about how hard he had to work at his job on the waterfront, and Prisco directed him to see convicted Genovese associate "Nicky" or his son "Anthony," whom he described as good people. The capo told Maglori that both "know you're my friend." "They know I am close to you. They'll take care of you, Roy."
- **Operation Terminal:** In April 2010, Commission detectives, along with investigators from the New Jersey Division of Criminal Justice's Organized Crime Bureau, arrested **Nunzio LaGrasso**, Vice President of the ILA's Atlantic Coast District and Secretary-Treasurer of ILA 1478 and four other current or former ILA members on charges that they extorted money from dock workers by demanding "tribute" for better jobs and pay, or engaged in loansharking. One of the men charged, **Alan Marfia**, was a Newark police officer who had been accessing police databases to obtain information on undercover police vehicles that were conducting surveillance on an ILA office. **Joseph Queli**, a soldier in the Genovese crime family, was also arrested for controlling the loansharking operation. **Rocco Ferrandino**, a timekeeper, was also charged with extortion and commercial bribery. These arrests represent just the beginning of Operation Terminal, a joint investigation into the activities of a criminal enterprise that has exercised control and corrupt influence over ILA locals operating in the Port of New York. Further arrests are expected.

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- **Nicholas Bergamotto:** In April 2010, checker Nicholas Bergamotto was arrested as part of Operation Terminal and charged with loansharking and money laundering. Based on those charges, the Commission has temporarily suspended his license to work in the Port, pending an administrative hearing.
- **Stephen DePiro:** In April 2010, FBI agents working in conjunction with the U.S. Attorney's Office for the Eastern District of New York and the Waterfront Commission arrested Genovese soldier (and former longshoreman) Stephen DePiro and charged him with racketeering including the extortion of ILA Locals and members, loansharking and gambling offenses. DePiro was also charged with conspiracy to aid the unlawful flight to avoid prosecution of Genovese Capo Michael "Mikey Cigars" Coppola by the U.S. Attorney's Office for the District of New Jersey.
- **John Santore:** In April 2010, hiring agent John Santore and his employer were served with a notice of hearing alleging that Santore had associated with Joseph "Joey the Bull" Bilotti, a soldier in the Gambino crime family, in addition to other violations of the Waterfront Commission Act. After a review of the evidence, including photographs and surveillance by Commission detectives, his employer withdrew its sponsorship of Santore as a hiring agent, and he was removed from the waterfront.
- **Joseph Ritornaro:** In April 2010, the Commission revoked the registration of maintenance man, Joseph "Joey Clams" Ritornaro, for his failure to produce material evidence in connection with an investigation into illegal drug use in the Port.
- **John Nicaretta:** In April 2010, the Commission charged longshoreman John Nicaretta with associating with members and associates of the Genovese crime family, including capo Joseph "Pepe" LaScala, convicted associate Nicholas Furina and others. Nicaretta filed for retirement the next day. Nicaretta had been previously expelled from ILA Local 1588 for having furthered the influence of organized crime in the Port, and the Commission had removed him as foreman because of his association with members of organized crime.
- **Stephen Bracco:** In May 2010, foreman Stephen Bracco was arrested by Commission detectives for extorting money from a shipping company to ensure the speedy release of time sensitive shipping containers. Bracco's waterfront registration has been revoked and he has pleaded guilty to a larceny charge.
- **Anthony Furina, Sr. (Son of convicted Genovese associate Nicholas Furina):** In July 2010, the Commission revoked the permit of temporary pier superintendent Anthony Furina, Sr., and denied his application for permanent licensing. Furina was found to have violated the Waterfront Commission Act by moving waterborne freight without being so licensed by the Commission. The administrative law judge concluded that Furina lacked

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the good character and integrity required for a pier superintendent and, further, that he had essentially established his own “fiefdom” on the pier.

- **Ralph M. and Ralph A. Bertelle:** A joint investigation, initiated by the Commission, resulted in the arrest of two longshoremen – father and son – on mail and wire fraud charges in connection with worker’s compensation fraud. The longshoremen both pleaded guilty to conspiracy and mail fraud in August 2009. The father was sentenced to two years in federal custody while his son received probation.
- A United State Justice Department’s civil RICO suit against the ILA and several of its top officers is pending. Allegations include rigging ILA elections, awarding an ILA welfare benefit fund contract to a company with ties to organized crime and defrauding beneficiaries of ILA pension and welfare funds. In light of such allegations, it is clear that the ILA continues to serve the interests of organized crime rather than that of its members. The Commission is working closely with the federal government on this matter.

In addition to the arrests set forth above, the Commission revoked a number of other licenses and registrants after for such offenses as aggravated assault, illegally possessed firearms, possession and distribution of cocaine, unemployment fraud, theft and receiving stolen property. The Commission had 55 open investigations pending as of July 1, 2010 and had completed 338 investigations during the 2010 fiscal year, including 5 involving unregistered workers, and 89 involving violations of Commission rules. The Commission made, or participated in, 66 arrests in fiscal year 2010.

The Commission is diligently working to establish and maintain a database of organized crime figures operating in the Port of New York-New Jersey. This year, the Commission has established a network of analysts representing more than thirty law enforcement and intelligence agencies operating within the Port at the federal, state and local levels, to facilitate inter-agency cooperation and information sharing.

### **Lack of Diversity in the Port**

In addition to the diminished vitality of the Port, the Commission is deeply concerned with the lack of minority employment and participation in the Port. Although the Waterfront Commission Act requires sponsoring employers to certify that selection was made on a non-discriminatory basis, the present composition of ILA locals is not representative of their cities’ demographics. For example, Local 824 in Manhattan is eighty-two percent (82%) white, Local 920 in Brooklyn is eighty-four percent (84%) white and Local 1814 in Brooklyn is eighty-two percent (82%) white.

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This year, the Commission has begun to study ways to overcome apparent ethnic/race and gender inequalities among the various types of registrants and licensees. An analysis of current registrants and licensees reveals the following:

- Only 5% of licensed pier superintendents are African American, and only 12% are of other minorities.
- Only 4% of licensed hiring agents are African American and only 9% are of other minorities.
- Although 42% of the “A”-type longshore register is minorities, only 5% of those minorities are African American.
- “A”-type longshoremen on average earn much less than their “deep-sea” longshore counterparts. The “deep-sea” longshore register is diverse due only in part to a 96% minority (91% African American) local in New Jersey. In New York, only 8% of the “deep-sea” longshoremen are African American and 7% are of other minorities.
- African American “deep-sea” longshoremen earn on average of 20% less than their white cohorts and all other minorities earn 8.5% less than their white cohorts.
- The gender gap is even greater. Women represent only 10% of “deep-sea” longshoremen, 5% of “A”-type longshoremen, 6% of pier superintendents and 9% of hiring agents.
- Female “deep-sea” longshoremen earn on average 35% less than their male counterparts.

Clearly, the ILA and the New York Shipping Association has not been committed to diversity of the workforce in the Port. To remedy this issue, the Commission is presently setting up a “pre-qualification” system for longshoremen, to ensure that there will be sufficient labor reserves when the economy revives and that the labor force reflects the diversity of the Port’s communities.

### **Conclusion**

As set forth above, this Commission suffered, until two years ago, from a complete lack of accountability and failure of leadership that rendered it completely ineffective. There is no question that the vestiges of the former Commission have ended and under the auspices of its new administration, the Commission has undergone a complete transformation. Indeed, after years of inertia, the Commission has evolved from a virtually moribund organization into a model regulatory and law enforcement agency, committed to fulfilling its statutory mission. In the last two years, the Commission has rededicated itself to its core missions — to investigate, deter, combat and remedy criminal activity and influence in the Port of New York, and to ensure fair hiring and employment practices.



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In conclusion, the Commission refers to the testimony of Joseph Curto, President of the New York Shipping Association, Inc., before the New York State Senate on October 19, 2009:

As was noted in the Inspector General's report, the Commission has strayed somewhat from its original mission and we believe that it once again needs to focus on its core, law enforcement responsibilities. A mission and responsibilities that include the licensing of longshore industries and workers, monitoring and auditing those industries and workers, and conducting investigations of suspected illegal activities. That is a mission that the New York Shipping Association supports wholeheartedly.

As set forth above, the need for a strong and active Commission has never been more compelling. While individual prosecutions and administrative and regulatory actions are required and necessary, these alone are insufficient to change a historically and presently corrupt industry. New, innovative approaches must be developed, hopefully, with the continued cooperation of both the Legislature and the industry.

This letter incorporates the testimony of Commissioner Barry H. Evenchick and Commissioner Ronald Goldstock, and is submitted with their authorization and on their behalf.

Respectfully submitted,



Walter Arsenault  
Executive Director



Phoebe S. Sorial  
General Counsel

cc: Honorable Sandra B. Cunningham  
Honorable Richard J. Codey  
Honorable Joseph F. Vitale  
Honorable Joseph M. Kyrillos, Jr.  
Honorable Steven V. Oroho  
Honorable Robert W. Singer  
Kevin Donahue, OLS Committee Aide



## Testimony on Waterfront Commission

I am sorry that I could not testify, because I had a previous appointment, but I am substituting this letter for that testimony about the Waterfront Commission.

We purchased Port Newark Refrigerated Warehouse in 1984 and, therefore, I have been personally familiar with the conduct of the Waterfront Commission for just over 26 years. Without question, it is the most dysfunctional, corrupt, useless, harmful police agency/regulatory body I have ever seen in my life. I am 68 years-old and have been active in business since my early twenties, so that is a considerable amount of time. I have many examples of their dysfunction but, perhaps, one will give you an insight.

Approximately 14 years ago, Port Newark Refrigerated Warehouse had a labor dispute and had to replace our entire workforce. We needed 32 warehousemen. We sent 93 people for licensing to the Waterfront Commission on a Monday morning. Incidentally, the commission was completely aware of the labor dispute. I was on the phone with the commission several times a day, attempting to expedite the licensing of these individuals. The Waterfront Commission, until then, granted temporary licenses, because they needed a significant time interval to do background searches. The commission unilaterally decided not to issue temporary permits and did not have the clerical staff to process the applicants.

On that Tuesday, the Waterfront Commission arrested the General Manager of Port Newark Refrigerated Warehouse and placed him in handcuffs, for using unlicensed employees, because they decided not to issue temporary passes. It regularly takes the commission anywhere from 3-6 months to license an individual. They almost destroyed our business, because we could not hire anyone to do the work. We suspect that the union put political pressure on the commission to engage in this conduct.

It cost PNRW over \$25,000 in legal fees, to expunge our General Manager's background records. We worked management personnel in excess of 100 hours per week for many weeks. This labor dispute was a major event in Port Newark, and the Waterfront Commission was completely aware of what PNRW was doing and why we were doing it, and purposely attempted to hurt our business.

Over the years, Port Newark Refrigerated Warehouse has repeatedly reported major thefts to the Waterfront Commission, and they are simply too busy (overwhelmed) to make the port more

secure. The list of grievances goes on forever. Since Transportation Worker Identification Credentials (TWIC) cards are available from the Department of Transportation, which now holds all the background search information; there is absolutely no need for the Waterfront Commission's regulatory effort.

In my opinion, the Waterfront Commission should have merged into the Port Authority 25 years ago. The commission does not cooperate with the other agencies in the Port, does not attend meetings, does not hire competent people, and the New York State report has understated the extent of the corruption in this agency. The reasons that justify the existence of the Waterfront Commission have long since passed, and, unquestionably, the agency should be dissolved, with its residual functions merged into the Port Authority.

By the way, the 93 men, of whom I wrote earlier that Port Newark Refrigerated Warehouse sent to the Waterfront Commission to be licensed, were all African-Americans. As I stated previously, only 32 were successful. The remainder had, generally, minor criminal records. The Waterfront Commission's policies absolutely discriminate against African-Americans, depriving them of employment, and that behavior has nothing to do with preventing the activities of Organized Crime. It is just stupid, arrogant, socially dysfunctional conduct, symptomatic of the Waterfront Commission.

No other port in the US has a Waterfront Commission, and we must pay them to engage in this conduct, which adds unforgiveable insult, to immeasurable injury.